



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: Treasurer - Tax  
Collector  
Department No.: 065  
For Agenda Of: 02/11/14  
Placement: Administrative  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Harry E. Hagen, CPA, CPFO, ACPFIM, Treasurer - Tax Collector  
Director(s) 568-2490  
Contact Info: Jennifer C. Christensen, JD, MBA, CPFO, Investment and Debt  
Officer  
568-2925  
**SUBJECT:** Treasurer's Investment Pool, FY 2013-2014 Second Quarter (Oct - Dec 2013)

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Other Concurrence:**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

- A) Accept for filing the Fiscal Year 2013-2014 Second Quarter (October - December 2013) report on the Treasurer's Investment Pool, pursuant to Government Code section 53646(b).
- B) Review and approve the Investment Policy Statement and authorize the County Treasurer to manage the investment pool in accordance with the policy, pursuant to section 53646(a) and 53607 of the Government Code.

**Summary Text:**

The value of the Treasurer's Investment Pool at principal cost on December 31, 2013, was \$1,214,055,235. Market value of the investment pool was \$1,210,943,022. The weighted average days-to-maturity (WAM) for the investment pool was 548 days.

The Treasurer's Investment Pool earned \$974,923 for the quarter ending December 31, 2013, an annualized return of 0.369%. The net yield earned over the past year is 0.344%. Per Government Code Section 53600.5, the Santa Barbara County Treasurer has a mandated responsibility to manage and invest public funds with the primary objective of safeguarding principal, the secondary objective of meeting the liquidity needs of pool participants, and thirdly, the objective of attaining a market average rate of return, consistent with the primary objectives of safety and liquidity.

For the quarter ending December 31, 2013 the Treasurer's Investment Pool anticipated and met all liquidity requirements, precluding any need to sell holdings unexpectedly at a potential loss in order to meet cash flow demands.

All investments purchased, met or exceeded state and local policy requirements for credit quality. Credit quality of assets held in the Treasurer's Investment Pool is monitored on an ongoing basis.

The Santa Barbara County Treasurer conforms to all applicable State statutes and County resolutions that govern the investment of public funds.

### **Background:**

Economic growth continued to expand at a moderate rate of 4.1%. Although continuing to decline over the quarter, the unemployment rate remains elevated at 6.7%. Household spending and business fixed investment advanced, while the recovery in the housing sector slowed somewhat in recent months. Inflation has been running below the Committee's longer run objective, but longer-term inflation expectations have remained stable.

The Federal Open Market Committee (FOMC) issued this statement at its December meeting "To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends and the economic recovery strengthens. The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to ¼ percent will be appropriate at least as long as the unemployment rate remains above 6 ½ percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored." The target range of 0 to ¼ percent was set by the FOMC in December 2008, where it has remained since. The FOMC will meet next quarter January 29-30 and March 19-20. The committee's focus is to seek monetary and financial conditions that will foster price stability and promote sustainable growth in output.

Overall, the Committee sees the improvement in economic activity and labor market conditions over the life of the current asset purchase program as consistent with growing underlying strength in the broader economy. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions, the Committee decided to modestly reduce the pace of its asset purchases. Beginning in January, the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$35 billion per month rather than \$40 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$40 billion per month rather than \$45 billion per month. The Committee indicated that it "will closely monitor incoming information on economic and financial developments in coming months and will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other tools as appropriate, until the outlook for the labor market has improved substantially in the context of price stability."

This quarterly report is being submitted to you pursuant to California Government Code section 53646 (b). In addition, California Government Code section 53646 (b) (3) requires the Treasurer-Tax Collector to include a statement in the Treasurer's Report affirming the ability of the Santa Barbara County Investment Pool to meet expenditure requirements for the next six months.

This report was reviewed and discussed by the Treasury Oversight Committee at its quarterly meeting. The Treasury Oversight committee promotes the public interest and is governed by California Government Code sections 27130 through 27133.



The Treasurer's Investment Pool is managed by the County Treasurer's office on behalf of the County, local community colleges, local school districts, and other districts and agencies. Government Code Section 53646 provides that the County Treasurer may annually present to the Board of Supervisors a statement of investment policy for review and approval. The attached investment policy was last approved by the Board in February 2013. There are no proposed changes at this time. The Treasury Oversight Committee reviewed the Treasurer's Investment Policy Statement at its quarterly meeting in January 2014, and approved it. The policy meets or exceeds the requirements of laws and regulations governing the pool.

Government Code section 53607 provides that a County Board of Supervisors may delegate the authority to invest and reinvest funds of the County to the County Treasurer for a one-year period. The government code further provides that this delegation may be made only to the Treasurer of the County. Additionally, pursuant to the government code, the transactions related to the investment and reinvestment of funds are included with this quarterly report and are filed monthly with the Clerk of the Board.

**Performance Measure:**

To ensure the financial stability of the County, monitor and project liquidity requirements as evidenced by zero securities sold at a loss to meet cash flow needs of pool participants: Accomplished.

To ensure the financial stability of the County and secure public agency funds, stay within compliance 100% of the time with the Government Code and the Treasurer's Investment Policy: Accomplished.

**Fiscal and Facilities Impacts:**

Budgeted: Yes

**Fiscal Analysis:**

For the quarter ending December 31, 2013, net investment earnings achieved by the Treasurer's Investment Pool were \$974,923, with the County receiving 41%, Schools 50%, and Special Districts the balance of 9%. The net yield earned for the quarter on an annualized basis is 0.369% and over the past year is 0.344%.

**Attachments:**

1. Treasurer's Second Quarter Investment Pool Report (October - December 2013)
2. Treasurer's Investment Policy Statement

**Authored by:**

Jennifer C. Christensen, JD, MBA, CPFO, Investment and Debt Officer