



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: 5/8/12
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Harry E. Hagen, CPA, CPFO, CPFIM, Treasurer - Tax Collector
Director(s) 568-2490
Contact Info: Kim Tesoro, CPA, CPFO, Investment and Debt Officer
568-2153
SUBJECT: Treasurer's Investment Pool, FY 2011-2012 Third Quarter (Jan - Mar 2012)

County Counsel Concurrence

As to form: N/A

Other Concurrence: N/A

As to form: Select_Concurrence

Recommended Actions:

That the Board of Supervisors:

- A) Accept for filing the Fiscal Year 2011-2012 Third Quarter (January - March, 2012) report on the Treasurer's Investment Pool, pursuant to Government Code section 53646(b).

Summary Text:

The value of the Treasurer's Investment Pool at principal cost on March 31, 2012, was \$1,006,583,514. Market value of the investment pool was \$1,008,213,178. The weighted average days-to-maturity (WAM) for the investment pool was 743 days.

The Treasurer's Investment Pool earned \$1,547,997 for the quarter ending March 31, 2012, an annualized return of 0.597%. The net yield earned over the past year is 0.677%. 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 March 31, 2012 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. At March 31, 2012, the investment pool held a Wells Fargo senior medium term note of \$5 million that matures on August 1, 2012. At the purchase date of the medium term note, the issuer met credit rating requirements of the Treasurer's Investment Policy. It was rated 'AA+' by S&P, 'AA1' by Moodys, and 'AA' by Fitch. Since its purchase, the issuer has been downgraded below the credit rating that is required for purchase by the Treasurer's Investment Policy for medium term notes. It has retained investment grade ratings and met State legal requirements for investment of public funds. Wells Fargo is currently rated 'A+' by S&P, 'A2' by Moodys, and 'AA-' by Fitch. In accordance with the Treasurer's Investment Policy for securities that have been downgraded to a rating below what is required, the credit situation has been reviewed and it has been determined to be in the best interest of the pool participants to hold the security.

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

Background:

Economic growth continues to expand moderately at a rate of 3%. The unemployment rate decreased to 8.2 percent in February as labor market conditions continue to improve. Despite some signs of improvement, housing market activity remained depressed by the supply of foreclosed or distressed properties, tight credit conditions and overall economic uncertainty. Inflation decreased throughout the quarter, starting at 3.0 and ending at 2.7 percent, and longer-term inflation expectations remained stable.

The Federal Open Market Committee (FOMC) issued this statement at its March meeting "To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy. In particular, the Committee decided today to keep the target range for the federal funds rate at 0 to ¼ percent and currently anticipates that economic conditions – including low rates of resource utilization and a subdued outlook for inflation over the medium run – are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014." 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 on April 24-25 and June 19-20. The committee's focus is to seek monetary and financial conditions that will foster price stability and promote sustainable growth in output.

This quarterly report is being submitted to you as required by 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.

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 March 31, 2012, net investment earnings achieved by the Treasurer's Investment Pool were \$1,547,997, with the County receiving 42%, Schools 48%, and Special Districts the balance of 10%. The net yield earned for the quarter on an annualized basis is 0.597% and over the past year is 0.677%.

Attachments:

1. Treasurer's Third Quarter Investment Pool Report (January - March 2012)

Authored by:

Kim Tesoro, CPA, CPFO, Investment & Debt Officer