

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



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

Agenda Number:

Prepared on: 8/01/02
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 8/13/02
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Gary L. Feramisco
Treasurer-Tax Collector

STAFF CONTACT: Tom Parsai,
Investment Manager

SUBJECT: Treasurer's Investment Pool – 2002 Second Quarter, April - June

Recommendation(s):

That the Board of Supervisors:

A. Accept for filing the 2002 Second Quarter (April-June) report on the Treasurer's Investment Pool.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 4. A Community that is Economically Vital and Sustainable.

Executive Summary and Discussion:

As presented on Page 1, total assets of the portfolio at cost value as of June 30, 2002, is \$617 Million. Total market value of the portfolio as of that same date is \$622 Million. The weighted average days to maturity for the portfolio is 336 days. As compared with annualized quarterly maturity schedule, illustrated on Page 3, the distribution of maturities over the maximum five year period is stable between 2002 and 2006. This maturity distribution represents strength and quality in assets classification by tracking the yield curve to an effective level of 3.85%. This is higher than most other Counties and beats LAIF by 110 basis points.

Within the investment guidelines, the structure of the portfolio's assets remain diversified to achieve prudent investment returns, the safety of principal with sufficient liquidity, and adequate balance of scheduled maturities to meet projected revenue and expenditure requirements for the next six month period.

During this quarter interest earnings achieved were \$6.86 Million, with the County receiving 45%, Schools 43%, and Special Districts the balance of 12%, as shown on Page 6. This return is consistent with the various indexes, as summarized on Page 5.

The attached Treasurer's Portfolio Management Report as of June 30, 2002, presents a detailed report, which reports fair market value of each individual security and is not to be used for budgetary purposes. However, if budget preparation is in conformance to G.A.A.P. Standards, fair market fluctuations may be necessary to report. In recognition of these market fluctuations the pool maintains a liquidity policy that 25% of the portfolio must have a maturity schedule of less than eighteen months, with the remainder out to five years. Given the size of the pool, keeping 25% of the portfolio in short-term maturities will provide ample liquidity to meet our obligations. This discipline will substantially reduce risk and avoid actual realization of any losses due to market interest rate fluctuations. The Auditor-Controller has conducted the required quarterly compliance testing and the results were submitted to your Board under a separate cover. There were not any material findings and the accounting conforms to generally accepted accounting principles.

During the second quarter of 2002, the economy remained weak. Demand did not pick up as much as it was expected by economists. Employment stayed sluggish, and the budget deficit worsen

This means the Fed will not raise rates in the foreseeable future. In fact, we think the economy is still too weak for the Fed to raise rates. Therefore, we will base our investments on the assumption of low interest rate environment.

Mandates and Service Levels:

No change in program or service levels.

Fiscal and Facilities Impacts:

None

Special Instructions:

Send Minute Order to Gary L. Feramisco, Treasurer-Tax Collector

cc: TOC Membership, Auditor-Controller, County Education Office, Sheriff, District Attorney