

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Prepared on: 06/18/05
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 08/02/05
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Bernice James
Treasurer-Tax Collector

STAFF CONTACT: Tom Parsai, Ph.D., Investment Manager
568-2496

SUBJECT: Treasurer's Investment Pool, 2004-2005 Fourth Quarter (April-June)

Recommendation(s):

That the Board of Supervisors:

- A. Accept for filing the 2004-2005 Fourth Quarter (April-June) report on the Treasurer's Investment Pool, pursuant to Government Code section 53646(b).
- B. Receive and file the Auditor'-Controller's Review Report on the assets held in the Santa Barbara County Treasury Pool for the quarter ended June 30, 2005.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with actions required by law or by routine business practice.

Executive Summary and Discussion:

As presented on Page 9, the value of the Treasurer's Pool at cost on June 30, 2005, was \$788,561,598 and \$2,616,081 in Directed Investments. Market value of the pool was \$782,507,072. The weighted average days to maturity for the pool was 424 days.

It is the policy of the Santa Barbara County Treasurer to invest public funds in a manner, which provides the maximum security of principal while meeting the daily cash flow needs of investment pool participants. A lesser emphasis is to achieve the highest yield possible, while conforming to all applicable State statutes and County resolutions that govern the investment of public funds. The Auditor-Controller's Review Report on the assets held in the Treasury Pool for the quarter ended June 30, 2005 is attached for your review.

The economy grew at an annual rate of 3.8% this quarter, exactly the same as last quarter. Most forecasts predict more of the same for the rest of 2005. The unemployment rate declined to 5%, its lowest level for the year. However, the

number of jobs created is still below the rate of population growth. Short-term interest rates rose, but long-term rate stayed the same. Most forecasts predict higher rates in the up coming months.

Mandates and Service Levels:

This quarterly report is being submitted to you as required by California Government Code section 53646(b).

The Auditor-Controller's Review Report is being submitted pursuant to California Government Code Section 26920 and Santa Barbara County Code Section 2-23.2. The apportionment of unrealized gains/losses to participating funds causes volatility in the recording of revenues. However, it is reflective of the actual position of the fair market value of the pool and is required by the Government Accounting Standards Board, which is recognized as the correct practice to be applied to all governmental entities. The Treasurer recognizes that there will be changes in the fair value of the pool investments and sufficient liquidity is maintained in the pool to avoid the actual realization of any unrealized losses due to market interest fluctuations.

Fiscal and Facilities Impacts:

For the quarter ending June 30, 2005, interest earnings achieved by the pool were \$5.9 million, with the County receiving 45%, Schools 44%, and Special Districts the balance of 11%, as shown on Chart 4.

The yields for the quarter and for the year were 2.70% and 2.42%, respectively. This compares with 2.85% and 2.11%, respectively, for the state's local agency investment fund (LAIF). For the quarter ending June 30, 2005 our yield was less than LAIF's by 15 basis points; we did not meet our performance objective of earning 10 basis points more than LAIF. LAIF has a much shorter maturity than our pool. This means that their yield adjusts to interest rate changes faster than ours. Therefore, when interest rates increase quickly in a short period of time LAIF's earnings are likely to be higher than ours. As shown on Chart 3, this also occurred in 2000.

For the year, our earnings were greater than LAIF's by 31 basis points. This means, for the fiscal year ending June 30, 2005 our pool participants earned about \$2.5 million more than if LAIF had invested the funds.

Special Instructions:

Send Minute Order to Bernice James, Treasurer-Tax Collector

cc: Auditor-Controller

Attachments: Treasurer's Investment Report
Auditor-Controller's Review Report