

**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: 1/21/03
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 2/4/03
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,
Investment Manager

SUBJECT: Treasurer's Investment Pool, 2002-2003 Second Quarter (October-December)

Recommendation(s):

That the Board of Supervisors:

Accept for filing the 2002-2003 Second Quarter (October-December) report on the Treasurer's Investment Pool.

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 1, total assets of the portfolio at cost value as of December 31, 2002, is \$688 Million of which \$10.8 million is the Directed Investments and the other \$677 million is the Treasurer's pool. Total market value of the portfolio as of that same date is \$694 Million. The weighted average days to maturity or call date for the portfolio is 245 days. As compared with the annualized quarterly maturity schedule, illustrated on Page 3, the distribution of maturities over the four-year period is stable between 2003 and 2006. This maturity distribution represents strength and quality in asset classifications by tracking the yield curve to an effective level of 3.48% for the Treasurer's pool. This is higher than the state of California Local Agency Investment Fund (LAIF) by 117 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 by the pool were \$5.4 Million, with the County receiving 49%, Schools 38%, and Special Districts the balance of 13%, 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 December 31, 2002, presents a detailed report, which shows fair market value of each individual security, but it 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 will conduct the required quarterly compliance testing and the results will be submitted to your Board under a separate cover.

During the second quarter of 2002-2003 fiscal year the economy remained weak. Demand did not pick up as much as it was expected and unemployment rate rose to 6%. The budget deficit worsened and consumer confidence fell to its lowest level since 1993.

This means that there is a very little chance of a rate hike in the foreseeable future. In fact Fed Chairman, Alan Greenspan, stressed that the Fed is not likely to tighten monetary policy for a long time, and that it would be quick to act if deflation becomes a threat.

Mandates and Service Levels:

No change in program or service levels.

Fiscal and Facilities Impacts:

None

Special Instructions:

Send Minute Order to Bernice James, Treasurer-Tax Collector

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