



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: 2/7/12  
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, 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 Second Quarter (Oct - Dec 2011)

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**County Counsel Concurrence**

As to form: Yes

**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 Second Quarter (October - December, 2011) 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 sections 53646(a) and 53607 of the Government Code.
- C) Adopt a resolution authorizing the investment of monies in the Local Agency Investment Fund.

**Summary Text:**

The value of the Treasurer's Investment Pool at principal cost on December 31, 2011, was \$1,095,450,144. Market value of the investment pool was \$1,097,757,173. The weighted average days-to-maturity (WAM) for the investment pool was 670 days.

The Treasurer's Investment Pool earned \$1,492,481 for the quarter ending December 31, 2011, an annualized return of 0.599%. The net yield earned over the past year is 0.753%. 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, 2011 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 December 31, 2011, 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 expanded moderately at 1.8% despite some strains in global economies. Labor market conditions appear to be improving as the unemployment rate has gradually decreased down to 8.5 percent in December. The housing market remains depressed by weak demand and a substantial supply of foreclosed or distressed properties. Inflation decreased throughout the quarter, starting at 3.9 and ending at 3.0 percent, and longer-term inflation expectations remained stable.

The Federal Open Market Committee (FOMC) issued this statement at its September meeting "The Committee also decided 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 mid-2013." 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 January 24-25 and March 13. 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.

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 requires the County Treasurer to annually present to the Board of Supervisors a statement of investment policy for

review and approval. The attached investment policy was last amended and approved by the Board in August. 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 2012, 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.

The County has been authorized to invest in the State of California, Local Agency Investment Fund since 1977. Due to recent staff changes, it is necessary for the County to update its resolution regarding the Local Agency Investment Fund to reflect the current positions that are authorized to conduct transactions.

**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, 2011, net investment earnings achieved by the Treasurer's Investment Pool were \$1,492,481, with the County receiving 43%, Schools 47%, and Special Districts the balance of 10%. The net yield earned for the quarter on an annualized basis is 0.599% and over the past year is 0.753%.

**Special Instructions:**

Please return one signed resolution to Kim Tesoro in the Treasurer-Tax Collector's Office.

**Attachments:**

1. Treasurer's Second Quarter Investment Pool Report (October - December 2011)
2. Treasurer's Investment Policy Statement
3. Resolution Authorizing the Investment of Monies in the Local Agency Investment Fund

**Authored by:**

Kim Tesoro, CPA, CPFO, Investment & Debt Officer