

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: 01/20/05
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 02/1/05
Placement: Administrative
Estimate Time: 15 minutes on 2/8/05
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 Second Quarter (October-December)

Recommendation(s):

That the Board of Supervisors:

- A. Accept for filing the 2004-2005 Second Quarter (October-December) 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. Receive and file the Auditor'-Controller's Review Report on the assets held in the Santa Barbara County Treasury Pool for the quarter ended December 31, 2004.
- D. Set a hearing date of February 8, 2005 to receive a presentation on the Treasurer's Investment Pool (estimated time is 15 minutes).

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 December 31, 2004, was \$808,126,543 million and \$2,616,081 million in Directed Investments. Market value of the pool was \$804,010,033 million. The weighted average days to maturity for the pool was 524 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 December 31, 2004 is attached for you review.

The economy grew at an annual rate of 4% last quarter, up from 3.3% in the previous quarter. Most forecasts are for a growth rate of between 3.5% and 4% for next year. Unemployment rate has been very stable in the past few months at 5.4%. The number of jobs created is still below the rate of population growth. Short-term interest rates have gone up since last quarter but long-term rate have stayed the same. Most forecasts are for higher rates next year.

The Investment Policy is presented annually to the Treasury Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of sections 27133 and 53646(a) of the California Government Code. The Treasury Oversight Committee has reviewed and approved this Policy. After your Board's approval, the Policy will be submitted to the California Debt and Investment Advisory Commission (CDIAC).

Mandates and Service Levels:

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

The Investment Policy is presented annually to the Treasury Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of sections 27133 and 53646(a) of the California Government Code.

The Treasury Oversight Committee promotes the public interest and is governed by the Government Code sections 27130 through 27133.

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 December 31, 2004, interest earnings achieved by the pool were \$4.4 million, with the County receiving 46%, Schools 40%, and Special Districts the balance of 14%, as shown on Chart 5.

The yield for the quarter was 2.40%. This is higher than the State of California Local Agency Investment Fund (LAIF) by approximately 40 basis points. This translates into \$727,000 of additional income for this quarter alone. Recurring Performance Measure #12 for the Treasurer-Tax Collector-Public Administrator, of earning a rate of return at least 10 basis point higher than LAIF, has been achieved.

Special Instructions:

Send Minute Order to Bernice James, Treasurer-Tax Collector

cc: Auditor-Controller

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