

**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: 5/03/02
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 5/21/02
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 First Quarter, January-March

Recommendation(s):

That the Board of Supervisors:

A. Accept for filing the 2002 First Quarter (January-March) 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 14, assets at par value within the portfolio as of December 31, 2001, were \$703 Million and for the period ended March 31, 2002, were \$624 Million. During this period \$805 Million of securities at par value were either matured or sold, and \$726 Million in new assets were purchased. The dollar weighted average maturity of 702 days for the period ended is an increase of 7 days over the prior quarter. As compared with annualized quarterly maturity schedule, illustrated on Page 7, 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 4.31%. This is higher than the other 57 Counties and beats LAIF by 135 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. Quarter activity being \$315 Million in revenues and expenditures at \$377 Million, with agency

distribution illustrated on Page 4. Activity for this quarter clearly tracks historical revenue and expenditure trends.

During this quarter interest earnings achieved were \$7.36 Million, with the County receiving 44%, Schools 42%, and Special Districts the balance of 14%, as shown on Page 11. This return is consistent with the various indexes, as summarized on Page 8.

The attached Treasurer's Investment Portfolio Investments Outstanding as of March 31, 2002, presents a detailed report, which reports fair market value and income on an accrued accounting basis 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 first quarter of 2002, the economy showed some signs of life. Demand did not go any lower, and started to stabilize. This caused the Federal Reserve to change its bias from weakening to neutral.

This does not mean, however, that the Fed is going to raise rates at their next FOMC meeting on May 7, 2002. 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