

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: 11/19/01
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 1/8/02
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 - 2001 Third Quarter (July-September)

Recommendation(s):

That the Board of Supervisors:

A. Accept for filing the 2001 third Quarter (July-September) 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 June 30, 2001, were \$674 Million and for the period ended September 30, 2001, were \$668 Million. During this period \$1.76 Billion of securities at par value were either matured or sold, and \$1.75 Billion in new assets were purchased. The dollar weighted average maturity of 678 days for the period ended is an increase of 224 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 2001 and 2006. This maturity distribution represents strength and quality in assets classification by tracking the yield curve to an effective level of 4.89%.

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 \$324 Million in revenues and expenditures at \$362 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 \$8.8 Million, with the County receiving 45%, Schools 40%, and Special Districts the balance of 15%, 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 September 30, 2001, 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 30% of the portfolio must have a maturity schedule of less than eighteen months, with the remainder out to a five-year period. This discipline will substantially minimize risk amount 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 third quarter of 2001, the economy stayed weak and demand decreased even further to a level much below the rate of growth of the economy's potential output. This forced the Federal Reserve to keep its bias toward expansionary monetary policy.

On November 6, 2001, the Federal Reserve cut short-term rates for the tenth time this year by another 50 basis points. This takes the federal funds target rate to 2%, the lowest it has been since 1961. The federal funds future contract is pricing in a possibility of yet another 25 basis point ease at the December meeting, which could take the federal funds rate to 1.75%.

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