

SAN MATEO COUNTY
TREASURY OVERSIGHT COMMITTEE

MINUTES

August 20, 2012

1. CALL TO ORDER

The meeting was called to order at 12:01 p.m.

2. ROLL CALL

Members and guests were asked to introduce themselves during roll call.

MEMBERS IN ATTENDANCE

John Marty (Treasurer, City of San Bruno) **Chairman**
Margie Gustafson (Administrator, County Office of Education)
Rosalie O'Mahony (Public Member)
Denise Porterfield (Deputy Superintendent Fiscal & Operational Services Division)
Lori Snow (Treasury Finance Manager, SMC Transit District)
Jim Saco (Budget Director, County Manager's Office)
Stephen Rogers (Schools & Community College District Representative)

MEMBERS ABSENT

Anthony J. Zidich (Treasurer, City of Daly City)
David Glasser (Finance Manager, Bay Area Air Quality Management District)

STAFF IN ATTENDANCE

Sandie Arnott (Treasurer-Tax Collector)
Charles M. Tovstein (Assistant Treasurer)

MEMBERS OF THE PUBLIC IN ATTENDANCE

None

3. APPROVAL OF MINUTES – APRIL 23, 2012 AND JUNE 4, 2012

Rosalie O'Mahony made a motion to approve the minutes from the April 23, 2012 meeting, seconded by Jim Saco. Denise Porterfield made a motion to approve the minutes from the special Treasury Oversight Committee meeting held on June 4, 2012, seconded by Ms. O'Mahony. Meeting minutes from both dates were approved unanimously.

4. INTRODUCTION OF STEPHEN ROGERS

John Marty introduced Stephen Rogers, the newest member of the Treasury Oversight Committee. Mr. Rogers is on the San Mateo Union High School District Board, and he will be representing the schools and community college districts on the Treasury Oversight Committee. He is in the first year of his second term on the San Mateo Union High School District Board. Mr. Rogers has over twenty years of experience in the financial services industry. He previously worked for Barclay's Global Investors (now BlackRock).

5. ASSISTANT TREASURER'S REPORT – Charles M. Tovstein

5.1 – Investment Report

Mr. Tovstein went over the Fiscal Year End Investment Report and July Monthly Investment Report. According to Mr. Tovstein, the 2011-2012 Fiscal Year closed with 1.11% gross pool earnings. He went on to state that the gross earnings at the end of July were .77%. Mr. Tovstein said he projected .75-.80% gross earnings for the month of August, and similar numbers for the month of September. He noted that market volatility is non-existent so we've been relatively quiet while maintaining high levels of liquidity.

Mr. Tovstein said the majority of the credit we own is highly rated and diverse. According to the July PFM Compliance Report we do not have exceptions.

At the end of June, Mr. Tovstein included the largest non-government aggregate position in the cover memo of the Monthly Investment Report. In July, the largest non-government aggregate position currently held in the pool is Toronto Dominion Bank at 2.40%.

6. TREASURER'S REPORT – Sandie Arnott

6.1 Update on adopted 2012 Investment Policy

After the special Treasury Oversight Committee Meeting on June 4, Ms. Arnott, Mr. Tovstein, Nancy Jones (PFM) and Carlos Obilites (PFM) met with Supervisor Pine, Supervisor Groom, Rich Ginn (Las Lomitas School Board), and John Maltbie (County Manger), to discuss the 2012 Investment Policy. At the meeting, Ms. Arnott said the group had a lengthy discussion regarding changes to the 2012 Investment Policy. Agreed upon amendments include:

- The Treasurer **will** render an investment policy annually.
- Adjustments to credit rating requirements, previously discussed with this committee, **from** AAA **to** AA, Long Term, or A-1, Short-Term, or better.
- Added the statement: There is a 5% limitation of the fund in any single issuer of Corporate Securities, however, the Pool has a target of holding no more than 3%. The 3% target may be exceeded under exceptional circumstances when there is a large influx of cash. (i.e.: peak tax collection periods, G.O. Bond issuances, etc.) Such exceptional circumstances will be explained in the investment report cover letter.
- **“Acceptable collateral”** changed to **“The only** acceptable collateral for these transactions include treasuries or Agencies with a maximum maturity of seven years.” Additionally, The Counter Party in Repurchase agreements must be rated by ONE of the three nationally recognized rating services, has been changed to TWO of the three.
- The pool **will be** rated to **may** be rated annually.
- An external investment advisor **may** be contracted to **will** be contracted.
- **Municipal Debt:** Previously proposed as an authorized investment was eliminated completely.
- Provisions referencing RDA's were modified and have been excluded from the 20% withdrawal provision. **However,** reference to April and December current secured tax apportionments being excluded from the 20% rule was excluded in the modification. The Treasurer will continue to honor that exclusion by manual authorization until the statement is inserted back into the policy in 2013.

The 2012 Investment Policy was approved by the Board of Supervisors on June 26. Ms. Arnott thanked the Treasury Oversight Committee for coming to the special meeting in June to review the 2012 Investment Policy.

6.2 Unfinished Business

Ms. Arnott reminded the committee that the second Lehman distribution should occur by September 30th. She has not received any updates yet, but if she does then she will advise the committee members as soon as possible. There are 4-5 annual distributions anticipated from the Lehman bankruptcy settlement: two this year, two next year, and possibly one more. Whether a greater payout will occur has not been determined.

Mr. Tovstein said the bonds are trading at 24.5 cents, almost 25 cents, and that is a good sign, and may translate into a higher settlement payout.

7. ORAL COMMUNICATIONS AND PUBLIC COMMENT

None

8. OTHER BUSINESS

None

9. 2013 MEETING DATES

The meeting dates for 2013:

- 9.1 Monday, January 28, 2013
- Monday, April 22, 2013
- Monday, October 21, 2013

10. ADJOURNMENT

The meeting was adjourned at 12:25 p.m.

(Chairman)

Sandie Arnott (Treasurer-Tax Collector)