

SAN MATEO COUNTY  
TREASURY OVERSIGHT COMMITTEE

MINUTES

Monday, January 28, 2013

**1. CALL TO ORDER**

The meeting was called to order at 12:00 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)  
Anthony J. Zidich (Treasurer, City of Daly City)  
David Glasser (Finance Manager, Bay Area Air Quality Management District) – telephone

**MEMBERS ABSENT**

**STAFF IN ATTENDANCE**

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

**MEMBERS OF THE PUBLIC IN ATTENDANCE**

Carlos Oblites (Senior Managing Consultant, PFM)  
Lawrence Pon (Certified Public Accountant)  
Tarrell V. Gamble (V.P., Blaylock RV)

**3. APPROVAL OF MINUTES – August 20, 2012**

John Marty made a motion to approve the minutes from the August 20, 2012 meeting, seconded by Tony Zidich. Meeting minutes were approved unanimously.

**4. ASSISTANT TREASURER'S REPORT – Charles M. Tovstein**

**4.1 – Investment Report**

Mr. Tovstein reported that the gross earnings as of December, 31, 2012 were .97% and for the quarter ending December 31, 2012, .95%. The current value of the pool is \$2.975 billion.

Mr. Tovstein reviewed the diversification of the portfolio and noted that the largest positions currently held are Toyota Motor Credit Corp. and Royal Bank of Canada. The diversification report shows all the unsecured/credit paper that the pool owns. The non-rated portion is LAIF.

Mr. Tovstein said dealer treasury positions have been slashed and attaining collateral is becoming difficult. One proposed change to the Investment Policy would be to include large, credit worthy institutions, i.e., Wells Fargo and Union Bank for executing repurchase agreements. The change reflected in the Investment Policy would be the removal of the phrase “primary dealers.”

Mr. Tovstein said the majority of the paper we are buying is three year paper. Repurchase agreements remain high as of late and we continue to look for “cushion” callable paper. The pool’s average life and duration is 1.7 years. It is actually shorter due to “cushion” callables. Mr. Tovstein said that we paid the premium for these bonds to use for cash flow and increase yield knowing that they will be called. He explained that when we run our average maturity and duration we always run it using final maturity dates. If it matures in 2017, but may be called in 2015, our numbers are based upon the securities final maturity in 2017

Mr. Tovstein said our total return numbers for the pool are competitive with the index that we use which is Merrill Lynch. He stated he is considering changing the index since it’s not 100% indicative of the pool’s make up.

He said the PFM compliance reports are available on the San Mateo County Treasurer’s website (<http://www.sanmateocountytreasurer.org/>) and we continue, as always, to be in compliance with both our internal Investment policy and State Code 53601. Carlos Obilites from PFM discussed the compliance report and explained that PFM gives an overall monthly picture of the portfolio and they are in contact with Charles if there are ever any compliance issues. PFM continues to review the portfolio and stay in constant contact with the staff.

## **5. TREASURER’S REPORT – Sandie Arnott**

### **5.1 2013 Investment Policy review & approval for submission to BOS**

The pages in the Investment Policy that included changes were sent out to the members of the Treasury Oversight committee.

The following amendments were proposed and discussed:

- Changing “Bankers Acceptances” to “Bankers Acceptance” (pgs. 4, 22)
- Repurchase Agreements must be executed with dealers with whom the County has written agreements ~~and who report to the Market Reports Division of the Federal Reserve Bank of N.Y. (Primary Dealers).~~ **Note: Nancy Jones, PFM, 1/21/13:** I talked to the head of our credit committee today. He pointed out that it is not enough to rely on the fact that a counterparty is a primary dealer. Primary dealer or not, the investment staff needs to understand the financial condition of the counterparty and make a credit judgment. (p. 6)
- ~~Effective July 1, 2010,~~ The administrative fee is ~~was lowered from 12.5 basis points to~~ 11.5 basis points and will be evaluated annually. (p. 13)
- **April and December current secured tax apportionments and** property tax revenue which had previously been distributed to redevelopment agencies prior to their dissolution... (p. 13)
- Union Bank is currently the pools bank. ~~as the County bank, has full FDIC through 4/1/13.~~ (p. 19)

Hearing no objection to the proposed change, the Investment Policy will move forward to the Board of Supervisors.

Following a comment from David Glasser on his appreciation for lowering the admin fee in 2010, Stephen Rogers suggested reviewing how the fees are calculated, what the costs are, and benchmarking them against other county pools, etc. Ms. Arnott stated that the administrative fees are determined annually and based on our costs. Our budget numbers are based upon the fee income that comes in. Ms. Arnott noted that comparing San Mateo County to other county pools would not be an apples to apples comparison and therefore ineffective. Additionally, development of the admin fee is outside of the purview of the committee. She also reminded the committee that we are audited annually.

Following a comment from Mr. Rogers that the website was reflecting inconsistent audit dates Mr. Arnott stated she would ensure corrections were made and provide Mr. Rogers with a copy.

**5.2 Lehman Distribution Update**

Lehman is currently trading .25 cents. We will receive another payment in March. We have received 9.8 cents on the dollar as of 1/28/13.

**6. ORAL COMMUNICATIONS AND PUBLIC COMMENT**

None

**7. OTHER BUSINESS**

7.1 Next meeting – Monday, April 22<sup>nd</sup> - noon

**8. ADJOURNMENT**

The meeting was adjourned at 1:00 p.m.

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John Marty (Chairman)

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Sandie Arnott (Treasurer-Tax Collector)