

Investing Public Funds

CDIAC - January 12, 2011



COUNTY CLERK

TREASURER - TAX COLLECTOR

Karen D. Adams, CPA



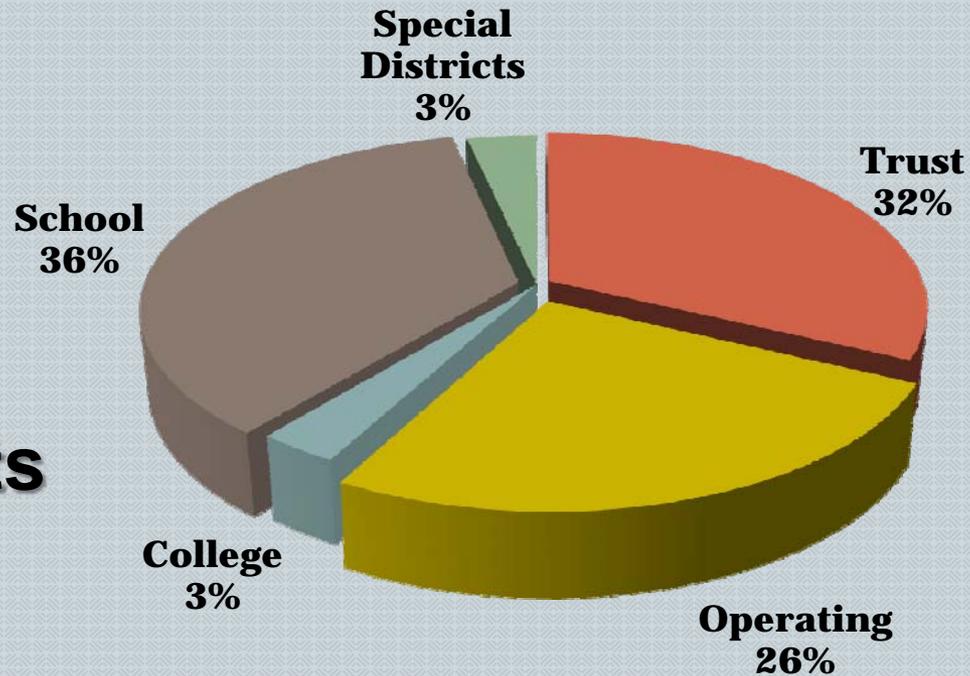
Investing Public Funds for All Pool Participants



- **1County** *noun \kaun-tē*

The largest local administrative subdivision of a state.

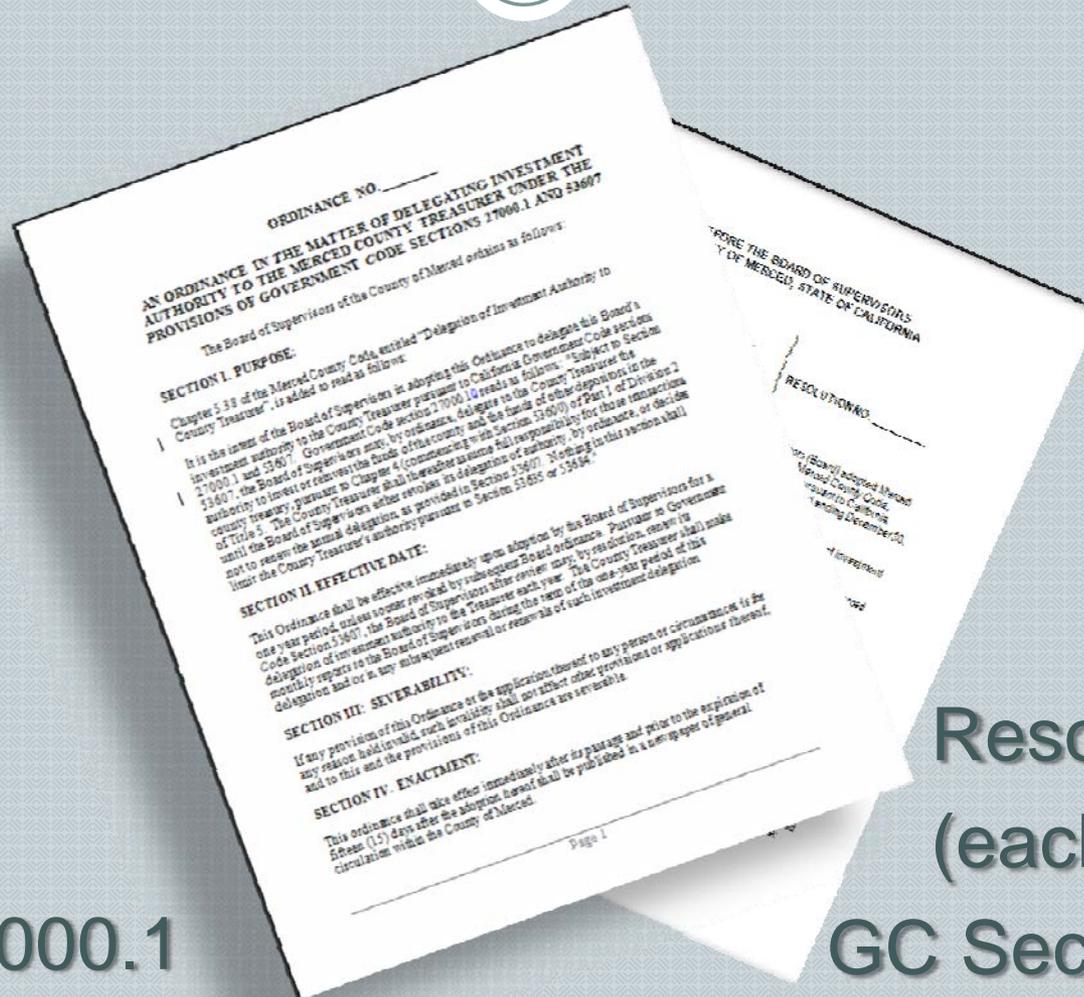
- **Merced County Pool Participants**



Investment Authority Delegation by Board of Supervisors



Ordinance
No. 1720
(Mar 2004)
GC Sec 27000.1



Resolution
(each Jan)
GC Sec 53607

Investment Authority Delegation by Board of Supervisors



- Approved resolution grants autonomy
- Elected status provides protection against B.O.S pressure
 - Resist local pressures and remain firmly committed to institutional partners



Investment Policy Should Reference



- Purpose
- Legal Compliance
- Primary Goals – Safety, Liquidity, Yield (SLY)
- Prudence
- Ethics & Conflicts
- Delegation





Quarterly Investment Reports

- **Economic Outlook**
- **Interest Rates**
- **Performance**
- **Benchmarks**
- **Historic Performance & Strategy**
- **Provide Reliable & Readily Assessable Information**



Events Prompting Formation of Treasury Oversight Committees



- 1984 - San Jose & Montebello Investment Issues
- **1988 - City Camarillo – Retirement Losses**
- Pre 1991 – Investment Reporting Requirement
Sunsets & Suspended
- **1994 - Orange County files Bankruptcy
resulting from investment losses of \$7.6B**

Treasury Oversight Committees & Reporting



- **1995 – G.C. Sec. 27131 required TOC reporting & investments based on safety and liquidity before yield**
- **2000 to 2004 - CDIAC Assessed County Investment Reporting Compliance**
- **2004 to Present – Reporting Halted AGAIN**



1994 Orange County Debacle



- Political Fragmentation
- **Voter Distrust**
- State Fiscal Austerity
- **Political Revenue Pressures & Bob Citron**
- “When Government Fails, The Orange County Bankruptcy”

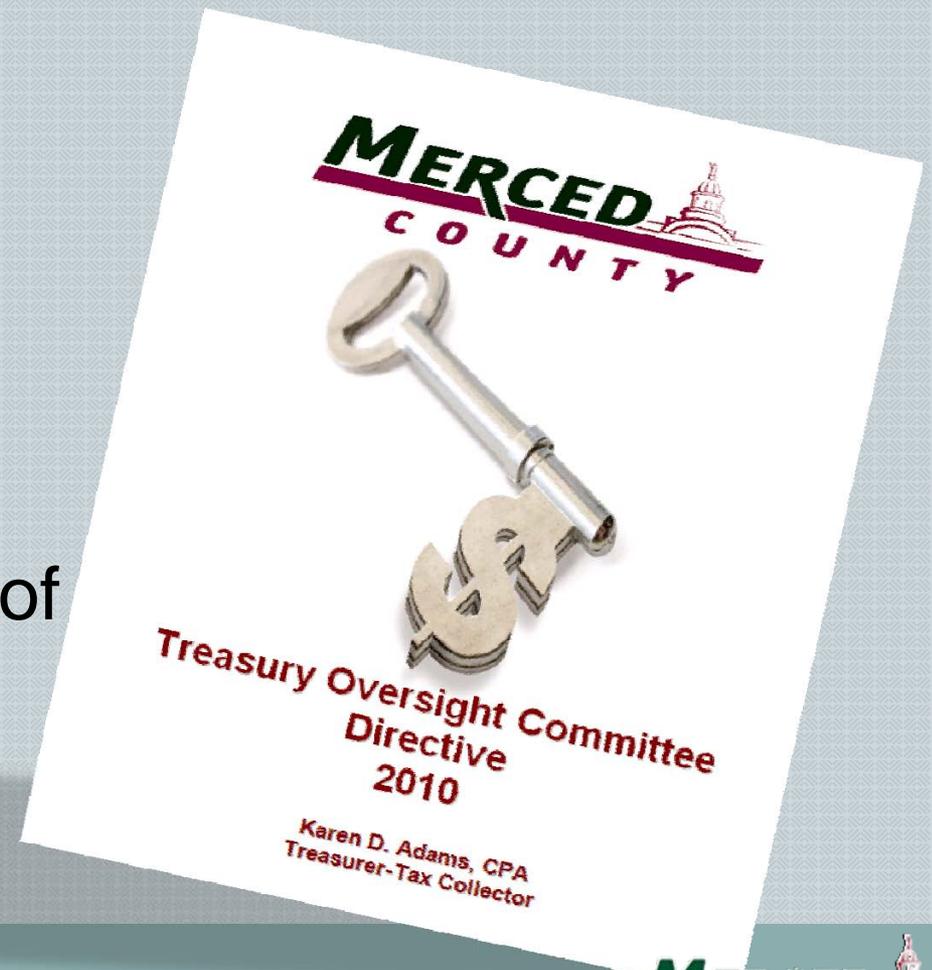
by Mark Baldassare & Public Policy Institute of CA

Will we repeat history?

Additional Policy Requirements

Treasury Oversight Committee

- Members
- **Duties**
- Annual Audits
- **Meetings**
- Gives local agencies & private sector oversight of investment process.



Additional Policy Requirements



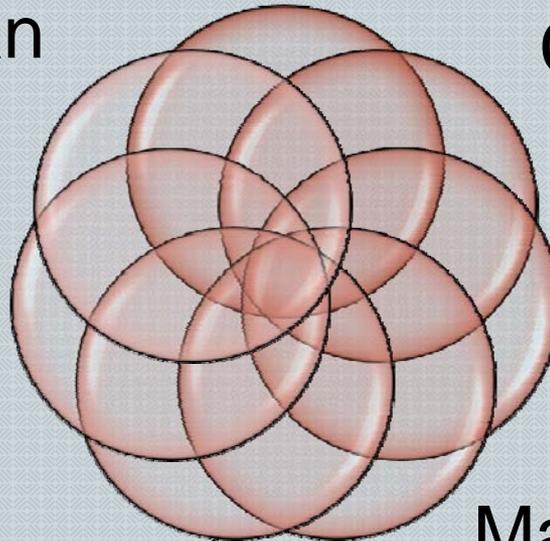
Administration

Safekeeping

**Business
Continuity Plan**

**Internal
Controls**

**Voluntary
Depositors &
Withdrawals**



**Competitive
Bidding**

Interest Apportionment

Marked-to-Market



Instrument & Investment Parameters

- Authorized Investments
- **Maximum Maturities / Amounts**
- International Investing
- **Investment of Funds**
- Treasurer Imposed Investment Types & Restrictions*

Additional Policy Contents

INVESTMENT OF FUNDS (Government Code Sections)

Sec 17000 Prudence definition.
 Sec 53600. Local agency definition.
 Sec 53601. Circumstances authorizing investments; authorized investments.

Sec 53601 INVESTMENT TYPES & RESTRICTIONS*		
TYPE	MAXIMUM TERM	MAXIMUM %
(a) Local Agency Bonds	5 years	No limit
(b) USTN, Bonds, Bills,...	5 years	No limit
(c) Reg'd State Wts, TN, Bonds	5 years	No limit
(d) Local Agency Bonds, Notes,...	5 years	No limit
(e) Obligations... FLB, FHLB,...	5 years	No limit
(f) Bankers Acceptances	180 days	40%; limited to 30% in one specific bank
(g) Commercial Paper	270 days	40%; limited to 10% in one single corp. issuer
(h) Certificates of Deposits	5 years	30%
(i) Repurchase or Rev Rep Sec	1 years	20%
(j) Corp. Notes	5 years	30%; must be US
LAIF	not specified	50MM

TREASURER IMPOSED RESTRICTIONS
10%, no tax-exempt issues
50%
10%
75%
75%
30%, limited to 10% in one specific bank
30%
30%
20% Reverses prohibited
30%
50MM or 25%

Due to fluctuations in the portfolio's balance, compliance testing is applicable to the day of purchase.
THE COUNTY TREASURER WILL NOT PURCHASE any mortgage backed or asset backed securities, reverse repurchase agreement, strips or zero interest accrual investments.

Treasurer Imposed Investment Types & Restrictions*



Other Variables

- Relationships w/ Brokers/ Dealers & Depositories
- **Review Analysis of Prospective Investments**
- Public Inquiry
- **List of Investment Terminology**



Questions

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