

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

REGULAR MEETING

January 30, 2008

FINAL
Approved on April 30, 2008

The Regular Meeting of the Treasury Oversight Committee (TOC) was held on January 30th and called to order by Robert Franz, for Tom Mauk Chair, at 3:07 p.m.

Committee Members:

Present:

David Sundstrom, Auditor-Controller
Wendy Benkert for Bill Habermehl, O.C. Board of Education
Robert Franz, CFO for Tom Mauk, CEO

Absent:

Also present were:

Chriss Street, Treasurer-Tax Collector; **Jennifer Burkhart**, Assistant Treasurer-Tax Collector
Paul Gorman, Chief Assistant Treasurer-Tax Collector, **Paul Cocking**, Chief Portfolio
Manager, **John Byerly**, Financial Analyst, **Anna Bryson and Keith Rodenhuis** from the
Treasurer's office; **Angie Daftary**, County Counsel; **Louis Bronstein**, Policy Advisor Third
District; **Tom Beckett**, from the office of CEO Public Finance; and **Steve Kozak**, Children and
Family Commission of Orange County.

I. Meeting Called to Order

A. Mr. Franz called the meeting to order.

II. Welcome and self-introductions

A. Introductions were made.

III. Public Comments

A. None.

IV. Approval of Prior Meeting Minutes

A. The Minutes of the October 31, 2007 meeting and the December 19, 2007 Special Meeting, were reviewed.

B. Recommended Action: Mr. Franz called for a motion to approve the Minutes. Mr. David Sundstrom moved to approve the Minutes, 2nd by Wendy Benkert. Passed 3-0

V. Chairman's Report

- A. There was no Chairman's report.

VI. Treasurer's Report

- A. The Treasurer announced that Fitch had placed Sigma Finance, one of our Structured Investment Vehicle holdings on credit watch on January 18th due to a lack of new information after Sigma's contract had expired on January 8. Fitch withdrew Sigma's AAA/F1+ ratings on January 28. Sigma Finance was removed from the Eligibility List on December 5, 2007.

VII. Review and discuss PFM Asset Management's Final Report on Risk Analysis of the Treasurer's Investment Pools

- A. Mr. Franz discussed the recommended action steps of the report, indicating some directly affect the Investment Policy Statement and a group of recommendations that are "other". He wanted to define the role of the TOC, questioning whether it was appropriate for the committee to be involved in more than the IPS and seeking clarification on the committee's role in general. It was requested that the Treasurer determine the role of the TOC and respond to the group at the next regularly scheduled meeting.
- B. Mr. Sundstrom discussed PFM's recommendations concerning allocation of interest. The Treasurer and Mr. Sundstrom agreed they did not want to apportion interest until the cash was actually received. Ms. Benkert indicated the schools, who are the largest voluntary participants, do not have a problem with the apportionments being allocated in the current manner.
- C. Mr. Beckett discussed the Board of Supervisors request for an implementation plan within 60 days. The Treasurer wants to use this as an opportunity for a "best practices" exercise and expressed appreciation of PFM's ability to go to the granular level and complimented their knowledge and professionalism. Mr. Sundstrom indicated PFM was also genuinely impressed by the caliber of his staff.
- D. Mr. Sundstrom inquired about recommendations for changes to the Investment Policy Statement. The Treasurer indicated the Treasury Advisory Committee had already discussed changing the minimum credit quality to AA or above prior to receiving the report from PFM. In addition, Mr. Sundstrom requested a policy that requires that TOC to be informed and educated about new types of investment vehicles prior to the Treasurer's office purchasing them. Additionally, he indicated the Board of Supervisors should approve new investment types prior to being included in the IPS. Mr. Franz added that the trick is to determine the level of risk without becoming too restrictive. He felt we shouldn't be investing in instruments without the proper level of vetting.
- E. Mr. Franz concluded with confirmation of the timing of the action steps. Mr. Beckett will email the group with the date necessary to respond to the Board of Supervisors

and work with the Treasurer's office on preparing the plan. This will be sent to members of the TOC for discussion at the next meeting.

- F. Recommended Action: Mr. Franz called for a motion to review and file the report. Mr. David Sundstrom moved, 2nd by Wendy Benkert. Passed 3-0

VIII. Discuss and/or propose recommended changes to Investment Policy

- A. The Treasurer would like to propose changes to the IPS as part of the Implementation plan. He recommended there be a joint TAC and TOC meeting to discuss changes and collaborate with the two groups.
- B. Recommended Action: The action will be to defer changes until the issues are incorporated into the Implementation Plan.

IX. Public and Committee Member Comments

- A. Mr. Kozak commented it was good to hear the conversations and review of topics. Ms. Benkert was very pleased that the confidence of the Treasurer's office was echoed in the report and for the information to get to the school districts. It was well-received by all.

X. Schedule Next Meeting Date

- A. The next regular meeting was scheduled for April 30, 2008 in the Treasurer's Office, Conference Room A, 3:00 p.m.

XI. Adjournment

- A. Mr. Franz adjourned the meeting at 3:50 p.m.