

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

REGULAR MEETING

October 10, 2001

Approved
November 28, 2001

A Regular Meeting of the Treasury Oversight Committee (TOC) was held on October 10, 2001 and called to order by Charles Schroeder, Chair, at 3:03 p.m.

Committee Members:

Present:

Charles Schroeder, Chair
David Sundstrom, Auditor-Controller
Robert Fauteux, Public
Michael Schumacher, CEO
Bill Habermehl, Dept. Of Education

Absent:

None

Also present were:

John Moorlach, Treasurer-Tax Collector; **Dick Hilde**, Assistant Treasurer; **Paul Cocking**, Assistant Investment Officer; **Julia Xue**, Financial Analyst; **Brett R. Barbre**, Public Information Officer; **Holly Henderson**, Director of Communications; **Dr. Wendy Margarita**, Department of Education; **Alan Marcum**, **Eli Littner**, and **Pam Parisien**, Internal Audit; **John Abbott**, County Counsel.

1. Meeting Called to Order

Charles Schroeder called the meeting to order.

2. Welcome and self-introductions

Introductions were made.

3. Public Comments

There were none.

4. Approval of Minutes

The Minutes of the July 18, 2001 were reviewed.

Recommended Action: Mr. Schroeder called for a motion to approve the Minutes. Mr. Fauteux moved to approve the minutes, 2nd by Mr. Sundstrom. Passed 5-0.

5. Chairman's Report

The Chairman had no comments.

6. Treasurer's Report

- a. Villa Park is the first City to return to the Investment Pool.
- b. Interest rates have been cut 9 times this year, with just 100 basis points in the last month. This makes the introduction of the X-Fund "very prescient."
- c. Julia Xue is the new Financial Analyst, and Holly Henderson is the new Director of Communications.
- d. The issues surrounding the attacks of September 11th and the effects on the business sector were discussed.
- e. The Treasury Work Station RFP has been cancelled due to the lack of good responses.
- f. There were numerous legislative victories in this past session in Sacramento.
- g. A penalty Review Board is being established to hear taxpayer challenges to late payment penalties.

7. Amend Investment Policy Statement

Discussion was held pertaining to various sections (*Attachment A*) of the Investment Policy Statement (IPS). Mr. Sundstrom moved to approve the changes, 2nd by Mr. Fauteux. Passed 5-0.

8. Public Comments

There were no Public Comments.

9. Schedule Next Meeting Date

The next regular meeting was scheduled for November 28, 2001 in the Treasurer's Office, Conference Room A, 3:00 p.m.

11. Adjournment

Mr. Schroeder called for a motion to adjourn. Mr. Fauteux moved to adjourn, 2nd by Mr. Sundstrom. Passed 5-0. The meeting was adjourned at 3:52 p.m.

ATTACHMENT A

Any reference to California Government Code Section 53635 has either been deleted or revised due to the passage of Assembly Bill No. 609.

APPROVED

SCOPE

Page 2 Section III.

Remove: The Board of Supervisors will be provided annually with the qualifications...

Rewrite: When changes are made to those authorized...

EXPLANATION:

Any individuals authorized to invest are listed in the annual business plan and on the Treasurer's web site. New hires are announced in the monthly Treasurer's Management Report.

APPROVED

AUTHORIZED INVESTMENTS

Page 3 Section IV.3.

Commercial Paper

Remove: Long term debt requirement

EXPLANATION:

Commercial Paper has a maximum maturity of 270 days. The short-term rating refers to investments with a one year or less maturity.

Page 3 Section IV.4.

Negotiable Certificates of Deposit

Change: Thomson BankWatch to Fitch

Page 4 Section IV.6.

Bankers Acceptances

Change: Thomson BankWatch to Fitch

EXPLANATION:

Thomson BankWatch was acquired by Fitch.

APPROVED

INVESTMENT RESTRICTIONS AND PROHIBITED TRANSACTIONS

Page 7 Section V.10.

Change: Reword entire section

EXPLANATION:

The original restriction lacks an understanding of credit ratings and investments. A security having a long-term rating of AA or higher has to decline in quality a minimum of four credit levels before breaching our eligible criteria. New safeguards are being added requiring weekly reviews and an authorization from executive management directly before a purchase on all approved issuers. In addition, no investment can be purchased with a credit watch-negative on any of its short-term ratings.

DEFERRED UNTIL NOVEMBER 28TH

Page 7 Section V.11

Change: Reword entire section

EXPLANATION:

The original section was confusing.

APPROVED