



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Tax Collector / Treasurer / Revenue
Services



Date: June 7, 2012
Board Meeting Date: June 26, 2012
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Sandie Arnott, Treasurer-Tax Collector

Subject: **Resolution Approving the 2012 San Mateo County Investment Policy Statement**

RECOMMENDATION:

Adopt a Resolution approving the 2012 San Mateo County Investment Policy Statement.

BACKGROUND:

Pursuant to Government Code § 53646, the Treasurer may annually render to the Board of Supervisors and any Oversight Committee, a statement of investment policy, which the Board shall review and approve at a public meeting. With the input of PFM Asset Management LLC, an investment advisor retained in 2011, as well as the Treasury Oversight Committee, the Treasurer has revised the Investment Policy Statement that was approved by the Board of Supervisors on May 24, 2011.

DISCUSSION:

In 2011, the County's Investment Policy was improved with a more conservative investment approach that resulted in greater diversification and increased transparency of investment procedures followed within the Treasurer's office. The 2011 Investment Policy was reviewed by PFM Asset Management LLC, and incorporated the majority of their comments and suggestions, as well as various recommendations made by Alan Biller and Associates .

The 2012 Investment Policy includes minor revisions intended to increase the diversity of the treasury pool while maintaining the treasury pool's investment objectives of: 1) preservation of principal; 2) liquidity; and 3) yield. The 2012 Investment Policy adds municipal debt as a potential investment option and sets forth the rating, fund percentage limit, issuer limit, and maturity limit for such investments. The policy clarifies

that the Treasurer may annually request a rating of the pool from one of the three leading nationally recognized credit rating organizations (S&P, Moody's, or Fitch) but is not mandated to do so. In addition, the provisions referencing Redevelopment Agencies (RDAs) have been modified to take into account the RDAs' dissolution pursuant to ABx1 26.

The San Mateo County Treasury Oversight Committee approved an initial draft of the 2012 Investment Policy Statement on January 23, 2012 and the Board's Finance and Operations Committee reviewed the 2012 policy at its February 1, 2012 meeting.

In May 2012, the draft 2012 Investment Policy was reviewed and further updated following announcements by rating agencies of changes to their rating process and in anticipation of further potential changes. Changes to credit rating requirements for various investment instruments, including U.S. treasury obligations, were incorporated to clarify the policy's requirements, as these securities are now rated differently by Moody's, Fitch and S&P. The San Mateo County Treasury Oversight Committee approved the revisions in a special meeting held June 4, 2012.

All changes are in compliance with Government Code § 53601 and PFM Asset Management LLC and the Treasury Oversight Committee are in agreement with the suggested revisions.

The Treasurer will communicate the approved 2012 Investment Policy Statement to all pool participants and receive their written acknowledgement of the current version of the Investment Policy.

County Counsel has reviewed and approved the Resolution as to form and content.

Approval of this Resolution contributes to the Shared Vision 2025 outcome of a Collaborative Community by managing the financial assets of the County and maintaining the value of the investment pool through professional and efficient administration of the County Treasury for County departments, special districts, schools, cities and taxpayers.

FISCAL IMPACT:

There is no net County cost.