

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 11/22/2016	(3) CONTACT/PHONE Gordon Eiland, (805) 781-5848 Jim Erb, (805) 788-2964	
(4) SUBJECT Request to approve the 2017 County Treasury Investment Policy. All Districts.			
(5) RECOMMENDED ACTION It is recommended that your Honorable Board review and approve the County Treasury Investment Policy for the calendar year 2017.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A    Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

# County of San Luis Obispo



TO: Honorable Board of Supervisors

FROM: James P. Erb, CPA  
Auditor-Controller-Treasurer-Tax Collector-Public Administrator

DATE: November 22, 2016

SUBJECT: Request to approve the 2017 County Treasury Investment Policy. All Districts.

## **RECOMMENDATION**

It is recommended that your Honorable Board review and approve the County Treasury Investment Policy for the calendar year 2017.

## **DISCUSSION**

### **Summary**

The Treasury Investment Policy ("Policy") is reviewed annually. There are no changes to the Policy's overall investment philosophy, objectives, or priorities. The specific investment restrictions remain conservative compared to many other counties. This year, the policy is being updated to reflect more stringent standards required by the FDIC to meet the definition of a well-capitalized bank, as well a minor change in investment restrictions and reporting as described below.

### **Background**

The Policy was established in May 1983 by the County Treasurer (the first written county investment policy in the State). The purpose is to clearly state investment guidelines for the protection of funds, define the objectives of managing the funds, and maintain internal controls and reporting requirements. The primary objectives in order of priority, by law, are safety, liquidity, and yield, while maintaining compliance with federal, state, and local laws and regulations. The Policy is reviewed at least annually and revised as needed.

### **No Change to Philosophy**

In making investment decisions, the County Treasurer continues to emphasize safety of principal above all other considerations, followed by liquidity, and then yield. The investment restrictions contained in the Policy continue to reflect this philosophy.

### **Updates to the Policy**

The 2017 Policy has been updated to include the FDIC's change in standard ratio percentages for well capitalized depository institutions. FDIC added a Common Equity Tier 1 risk-based capital ratio of at least 6.5% and increased the Tier 1 risk-based capital ratio from at least 6% to at least 8%. Currently all banks with whom the County Treasury does business meet these standards.

A small change was made to the Summary of Investment Restrictions under the San Luis Obispo County Investment Policy Restrictions. The percent of the total portfolio and the percent by Issuer, for investment type Money Market Mutual Fund (Shares of Beneficial Interest) issued by a Joint Powers Authority, is increasing from 10% to 15%. California Government Code section 53601(p) allows Counties to invest up to 100% of their portfolios in this type of investment.

Specifically, this change would enable the County Treasury to increase its investment with CalTRUST, a cooperative investment pool created by the California State Association of Counties and the League of California Cities.

Under Reports, Timing and Distribution, the “purchase dates and book values” have been removed from the list of information included in the Quarterly Report of Investments, to be consistent with California Government Code section 53646(f).

**OTHER AGENCY INVOLVEMENT/IMPACT**

The Policy was approved on October 26, 2016, by the County Treasury Oversight Committee, which includes the County Auditor-Controller-Treasurer-Tax Collector-Public Administrator, a representative appointed by the County Board of Supervisors, the County Superintendent of Schools or his or her designee, a representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college district in the County, and one member of the public with expertise in, or academic background in, public finance.

**FINANCIAL CONSIDERATIONS**

Since 1983, the Policy has provided an important foundation for maintaining the safety of funds in the investment pool. There are no changes to budgets or staffing to implement the Policy.

**RESULTS**

One of the goals of the County Treasury is to manage the investment pool in a manner that ensures the preservation of capital and provides the ability to meet the cash flow needs of the investment pool participants. The 2017 Policy will further enhance the County Treasurer's ability to attain this goal. In addition, the Policy provides information to the Board of Supervisors and the public regarding the stringent control exercised by the County Treasurer over the investment of public funds. These results are consistent with the County's goals to maintain “A Prosperous and Well Governed Community.”

**ATTACHMENTS**

1. Proposed Treasury Investment Policy for Calendar Year 2017