

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

REGULAR MEETING

April 29, 2009

APPROVED

July 29, 2009

The Regular Meeting of the Treasury Oversight Committee (TOC) was held on April 29, 2009 and called to order by David Sundstrom, Chair, at 3:12 PM.

Committee Members:

Present:

David Sundstrom, Auditor-Controller (Chair)
Bob Franz for Tom Mauk, CEO, Public Finance
Bill Habermehl, Superintendent, O.C. Dept. of Education
George Jeffries, Treasurer, City of Tustin

Absent:

Dr. Raghu Mathur, Chancellor, S.O.C.C.C.D.

Also present were:

Chriss Street, Treasurer-Tax Collector; **Paul Gorman**, **Jennifer Burkhart**, **Paul Cocking**, **Fahad Haider**, **Anna Bryson** and **Yvette Clark** from the Treasurer's office; **Richard Mendoza** from CEO Public Finance; **Angie Daftary** from County Counsel; **Christine Young** and **Dat Thomas** from Auditor-Controller's office; **Lou Bronstein** from Supervisor Campbell's office; **Dr. Wendy Benkert**, from O.C. Department of Education, **Darlene Hibbs** and **Terry Fleskes** from the Grand Jury.

1) Meeting Called to Order

Mr. Sundstrom called the meeting to order.

2) Welcome and self-introductions

Introductions were made. Ms. Benkert stated that she was filling in for Mr. Habermehl until he arrived.

3) Public Comments

None.

4) Approval of Prior Meeting Minutes

The Minutes of the March 4, 2009 Special Meeting were reviewed.

Recommended Action: Mr. Sundstrom called for a motion to approve the Minutes. Ms. Benkert **moved** to approve the Minutes, **seconded** by Mr. Jeffries. **Motion approved 3-0** with 1 abstention from Mr. Franz.

5) Chairman's Report

None

6) Treasurer's Report

- Mr. Street stated there was nothing much to report. Yields were very low.

7) Status of Structured Investment Vehicles

- Mr. Cocking explained that there are still three outstanding Structured Investment Vehicles (SIVs); K2, Tango & Whistlejacket.
- Mr. Cocking stated that Whistlejacket was put out to bid. 54% of participants took the cash offering. The highest bid was 66 cents¹ on the dollar.
- Mr. Cocking stated we now own pass through notes. Whistlejacket has been restructured as a new company called Serpentine Funding Limited. These are the same assets, but Serpentine is not a structured investment vehicle. This is just a wind-down vehicle. The Serpentine notes do not bear interest, but will distribute all principal and interest collected on the underlying securities. Goldman Sachs continues to run it.
- Mr. Jeffries commented that he thinks taking it off the Treasurer's balance sheet was an excellent way to handle it.
- Ms. Benkert requested a memo in simple language explaining the transaction.

8) Moody's Pool Rating.

- Mr. Cocking suggested pulling the Moody's Rating. It costs about \$30,000/year. Their methodology is to rate all pools.
- Mr. Habermehl **moved** to remove Moody's rating. Mr. Sundstrom **seconded** the motion. The **motion carried unanimously**.

9) Public Comments

- Mr. Sundstrom brought up the Temporary Transfer Agreement that the Board of Education is requesting at an upcoming board meeting.
- Mr. Sundstrom stated he was concerned with empowering districts authorization to loan school districts money up to 80%² of their revenue.
- Mr. Sundstrom explained that there is nothing outside of the constitution that deals with this specifically. He stated he had issues with it operationally. He questioned how he could make sure this money was paid back.

- Ms. Benkert explained that all the money goes through the County Treasurer.
- Mr. Sundstrom said that was ok as long as we can get a certification from schools of what their revenues are.
- Ms. Benkert explained that the agreement and resolution provide for certification as discussed with Ms. Daftary. She continued to explain that any school district that issues TRAns is not eligible to borrow from the Educational Investment Pool. Any one district couldn't borrow more than their pool share excluding General Obligation Bond money. They are basically borrowing from themselves and limited to their percentage of funds in the total Educational Investment Pool. With the State deferring so much money this year it is different from last.
- Ms. Daftary added that the max amount of money allowed to borrow is stated in the temporary transfer agreement.
- Mr. Sundstrom stated he was concerned because he thought we were borrowing from one school district and giving it to another. He requested to be taken out of the decision process.

10) Schedule Next Meeting Date

The next scheduled meeting will take place on July 29, 2009 at 2:30 p.m. at the Auditor-Controller's Office, 12 Civic Center Plaza, Conference Room #300, Santa Ana, CA.

11) Adjournment

- a)** Mr. Sundstrom adjourned the meeting at 3:28 p.m.

¹ Corrected after adjournment of meeting to **67.1 cents**

² Corrected after adjournment of meeting to **85%**