

SAN MATEO COUNTY
TREASURY OVERSIGHT COMMITTEE

MINUTES

April 13, 2015

1. CALL TO ORDER

The meeting was called to order at 12:08 p.m. by Sandie Arnott

2. ROLL CALL

Members and guests were asked to introduce themselves during roll call.

MEMBERS IN ATTENDANCE

Sandie Arnott (Treasurer-Tax Collector)
Helen Fisicaro (Town of Colma)
Daneca Halvorson (Treasurer, City of Daly City)
Stephanie Osaze (Finance Manager, Bay Area Air Quality Management District)
Jim Saco (Budget Director, County Manager's Office)

MEMBERS ABSENT

Margie Gustafson (Administrator, County Office of Education)
John Marty (Treasurer, City of San Bruno) **Chairman**
Denise Porterfield (Deputy Superintendent Fiscal & Operational Services Division)
Stephen Rogers (Schools & Community College District Representative)

STAFF IN ATTENDANCE

Joe Demee (Financial Services Manager)
Charles Tovstein (Assistant Treasurer)

MEMBERS OF THE PUBLIC IN ATTENDANCE

None

3. APPROVAL OF MINUTES – January 12, 2015

Helen Fisicaro made a motion to approve minutes from the January 12, 2015 meeting, seconded by Stephanie Osaze. Jim Saco abstained. Meeting minutes were approved unanimously.

4. ASSISTANT TREASURER'S REPORT – Charles M. Tovstein

4.1 Investment Report

Charles Tovstein reported earnings were .976% for the month and .951% for the quarter ending March 31, 2015.

On January 15, 2015 the Swiss lifted the cap on the franc and Mr. Tovstein was concerned about liquidity and stated Deutsche Bank closed several shops. Upon hearing the news he sold bonds and said we may see an increase in cases similar to the Swiss.

Mr. Tovstein reviewed the gains and losses for the San Mateo County Pool. He stated the net gains for the quarter ending March 31, 2015 were \$3,396,198.89. Mr. Tovstein said he continues to purchase paper from Wells Fargo, Union Bank, and Toyota.

He also announced the promotion of Tiffany Htwe from Investment Services Specialist to Management Analyst.

Mr. Tovstein addressed the withdrawal rate for the pool for voluntary participants. He said he does not want to sell securities to raise money for a withdrawal because there is a risk of selling securities at a loss. Mr. Tovstein said the rates will likely increase between September and December. He said we have maturing securities and they are for liquidity, withdrawals, or other situations.

4.2 Custodial RFP

Mr. Tovstein stated the Treasurer's Office has a contract with Bank of New York Mellon as our custodial bank and it expires on June 30, 2015. The Treasurer's Office is conducting an RFP for Custodial Banking and Securities Lending Services. The RFP was posted on the San Mateo County's Procurement website and the Treasurer-Tax Collector's website and we are receiving responses.

Mr. Tovstein said securities lending is mentioned in the RFP, however, the Treasurer's Office has not performed custodial lending since 2007. He said there are concerns with Bank of New York Mellon. For example, he said they are using a platform called Open WorkBench and our repurchase agreements are being reported as reverse repurchase agreements.

Sandie Arnott said if we change custodians, SamCera will with transition issues, if required. She said SamCera took three months to transition from their previous banking custodian to their new banking custodian. Ms. Arnott also said our County is not the only County experiencing issues with Bank of New York Mellon. Ms. Arnott said our Deputy Treasurer-Tax Collector, Management Analyst, and Mr. Tovstein will be involved in the decision making process. The RFP closes on April 17, 2015.

5. Treasurer's Report – Sandie Arnott

5.1 Lehman Update

Ms. Arnott sent a letter to the pool participants stating that there was a settlement with Ernst and Young for approximately \$6.5 million. She said we are unsure of the exact amount we are receiving, but it will be slightly under \$4 million. Ms. Arnott said when we receive the check and know the exact numbers a letter will be sent notifying people that the funds are in and the credit will be issued on that date. With that settlement about 46% of the losses from Lehman have been recovered.

Stephanie Osaze said the State Department of Finance is auditing the Bay Area Air Quality Management District. She said BAAQMD had grant funds and while there wasn't principal lost there was interest earned prior to the Lehman issue. She said the loss was about \$1 million and the auditors believe that any interest lost cannot be absorbed and has to be recovered. However, the principal was not impacted. Ms. Osaze asked for clarification and requested a summary of what San Mateo County has done to minimize risk. Mr. Tovstein said the Investment Policy has changed and the PFM report is available. Ms. Arnott said she would send Ms. Osaze the previous recommended changes to the Investment Policies.

6. Other Business

None

7. ORAL COMMUNICATIONS AND PUBLIC COMMENT

None

8. NEXT MEETING DATE


8.1 Next meeting – Monday, October 19, 2015 – noon

9. ADJOURNMENT

The meeting was adjourned at 12:44 p.m.



John Marty (Chairman)



Sandie Arnott (Treasurer-Tax Collector)