Solano County

Board of Supervisors

Minute Order

February 07, 2012

File Reference No. 12-0094

RE: Accept the Solano County Treasurer's Quarterly Report for the period of October 1, 2011 through December 31, 2011

Received and Filed

..title
Accept the Solano County Treasurer's Quarterly Report for the period of October 1, 2011 through December 31, 2011

..body
DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board accept the County Treasurer's Quarterly Report for the period of October 1, 2011 through December 31, 2011.

SUMMARY/DISCUSSION:

Submitted herein is the Treasurer's FY2011/12 Second Quarter Report, which contains the Treasurer's Statement of Compliance.

This report is provided for informational purposes only. All information contained in this report pertains to all county, district, agency and school district funds. This report is also available on the Treasurer's web site at www.solanocounty.com.

FINANCING:

There is no financial impact in accepting this report; all costs associated with producing the report are realized in the Treasurer's budget.

ALTERNATIVES:

The Board could elect not to accept this report at this time or request a change in content or format.

OTHER AGENCY INVOLVEMENT:

This report will be promulgated to the distribution list on the Statement of Compliance and published on the Treasurer's website.

CAO RECOMMENDATION:

Treasurer-Tax Collector-County Clerk
CHARLES LOMELI

January 19, 2012

The Honorable Members of the Board of Supervisors
County of Solano County
675 Texas Street, Suite 6500
Fairfield CA 94533

Honorable Members of the Board:

It is my pleasure to present the Treasurer's report for the second quarter of 2011/2012.

State of the Treasury

A review of the Treasury Pool holdings shows a well-balanced and managed portfolio that Standard & Poor's continues to rate AA+. To provide the safety found through diversification, the portfolio maintains an allocation of 40% Federal Agencies, 10% US Treasuries, 12% Corporates, 8% Municipals, 7% Joint Powers Investments, and 23% Cash & Cash Equivalents. This allocation structure is designed to balance higher yielding investments such as Corporates against lower yielding but safer investments such as Treasuries. It is also designed through the holding of Cash and JPA investments to provide a cushion of liquidity should depositing agencies continue to withdraw funds at a higher rate than they deposit them. This liquidity cushion gives the portfolio the ability to sustain withdrawals without the need to sell securities, which depending on market conditions at the time of sale could expose the portfolio to unnecessary risks.

Economic Factors

Domestic economic data at the end of the quarter appears to be mixed, indicating that parts of the economy are improving while other parts continue to struggle. The result is a tepid and frustratingly slow recovery, with expectations that a full recovery may continue to be years away.
While unemployment remains troublingly high, the rate of unemployment claims appears to be stabilizing and even showing signs of a decline. At the same time, food and energy costs are lower, thereby pushing wholesale prices lower for December.

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The Institute for Supply Management reported that new manufacturing orders increased in the quarter, and manufacturing grew at its fastest pace in six months in December. Manufacturers are beginning to replace and restock inventories generating economic growth. Citigroup and Wells Fargo reported the strongest loan growth numbers since 2008. On the consumer side, consumers are boosting spending and credit levels are increasing which contributes to growth. This is manifest in improving retail sales numbers.

Mortgage interest rates remain at historically low levels which will contribute positively to the troubled housing market. Locally, the notices of default filed in the Assessor's office have slightly declined.

State tax revenue is lower than forecast triggering additional cuts at the state level that will impact local programs. The closing of Redevelopment agencies will have an impact on the local governments and is being analyzed to determine the extent.

Overseas markets remain troubled and unlikely to contribute to domestic growth any time soon. Germany, the largest European economy, contracted in the fourth quarter raising the prospect of mild recession in the very country the Eurozone is depending on for growth. China, the world's second largest economy, experienced a slowing growth rate in the fourth quarter primarily due to slowing exports and a declining property market. The global economy relies increasing on China for growth. The credit rating agency Standard & Poor's cut the rating on nine European countries citing a failure to take adequate action to reduce systemic stresses in the Eurozone. Loans made to Greece in the fall to avert a default crisis will come due in March, and a new deal will have to be reached to avert another default crisis.

The recently released Federal Open Market Committee meeting minutes indicate the committee members believe the economy is expanding moderately. Home sales and construction levels remain depressed but are stabilizing. The Federal funds short term interest rate remains at .25 percent and expected to remain until the middle of 2013. The Federal Reserve under a new policy will begin to reveal more openly where policy makers expect short-term interest rates to be much further out into the future. They currently forecasts for economic growth, unemployment and inflation, but have not previously issued forecasts for interest rates. The new policy will state when the Committee plans to move the benchmark Federal Funds rate up from the current level of near zero, and where they expect it to be in the final quarter of 2013. This increased transparency is welcome news to the portfolio managers. Interest rate risk can be one of the biggest risks to the County's portfolio, primarily in a liquidity crisis where securities are being sold to meet cash demands. As interest rates fluxgate, the value of securities increases and decreases accordingly. Improved transparency by the Federal Reserve will reduce the amount of interest rate risk in the portfolio.

Portfolio Forecast

The overarching goal of the portfolio is to provide a safe and secure repository for agencies to store funds until such time as the funds are needed to provide services to the public. Due to the States continuing fiscal crisis compounded by the elimination of redevelopment agencies and delayed school apportionments, the portfolio will continue to maintain high levels of liquidity. High levels of liquidity invested at historically low interest rates mean the interest earned on the portfolio will continue to decline. Treasury Staff are communicating with School officials to determine the extent of anticipated shortfall in revenue over the next two quarters to insure adequate liquidity levels.

Strategically, a portion of the portfolio will be invested in highly rated securities in the two to five year sector of the market as a counter balance to the elevated liquidity levels. Expectations are that the earnings from these purchases will raise the overall portfolio yield, helping to mitigate the decline in Treasury yields and strengthen the positive earnings power of the Treasury.

Respectfully Submitted,

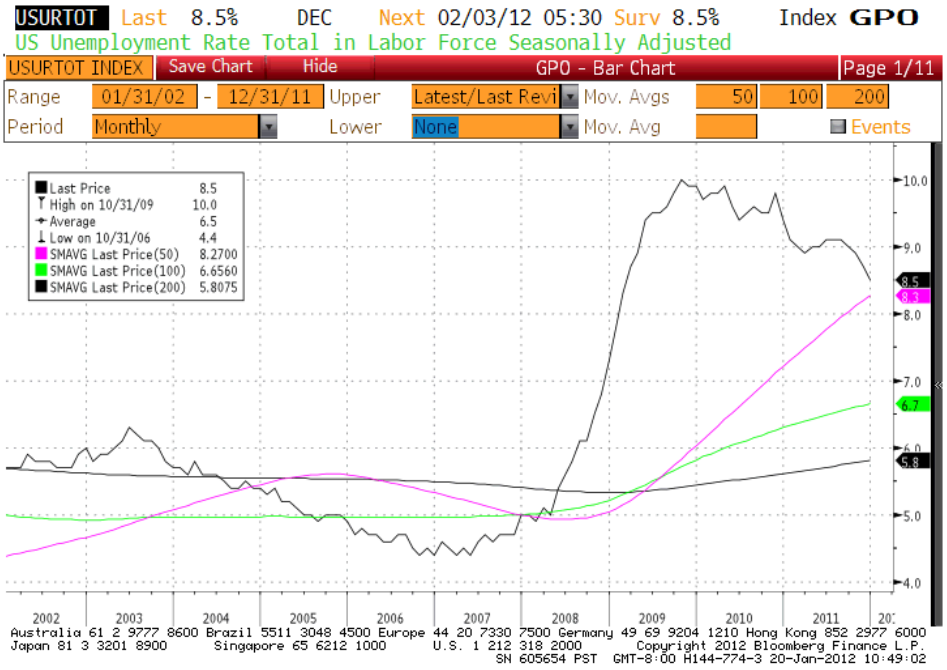
CHARLES LOMELI
Treasurer – Tax Collector – County Clerk

The following charts provide insight into the state of the economy

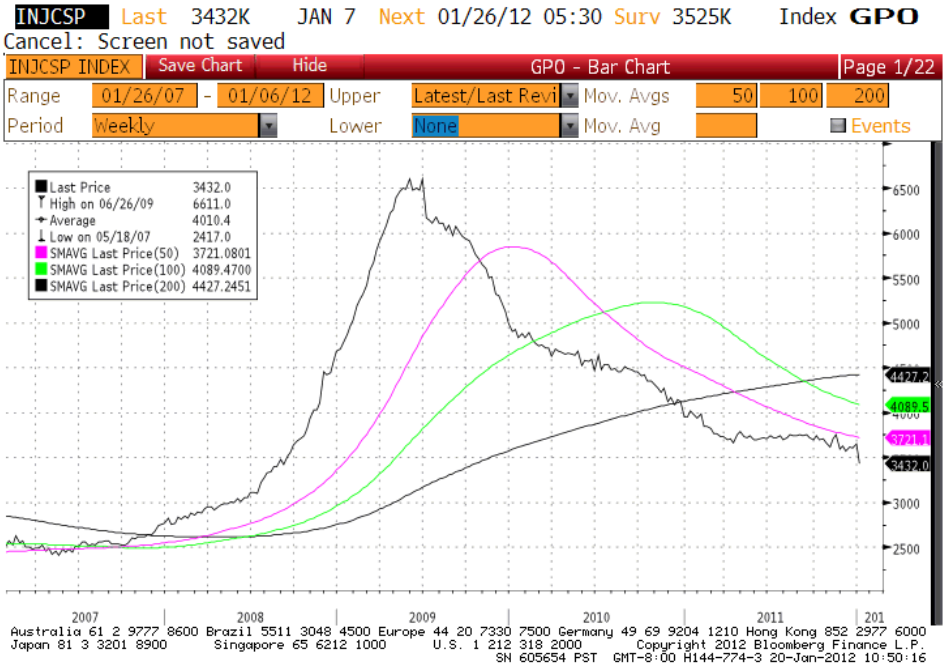
On the housing front, thirty year mortgage rates continue to decline.

The decline in rates however has not translated into new home sales, which have remained at depressed levels since the start of 2009.

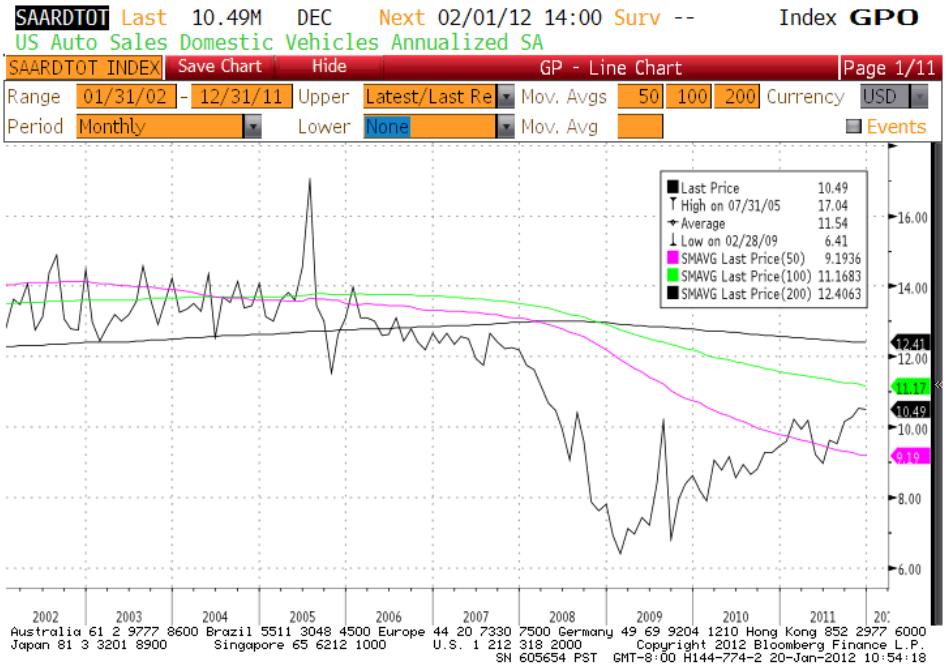
The lack of homebuilding and other construction has contributed to elevated levels of unemployment.



Which are only now starting to show signs of improvement with a decline in initial unemployment claims.

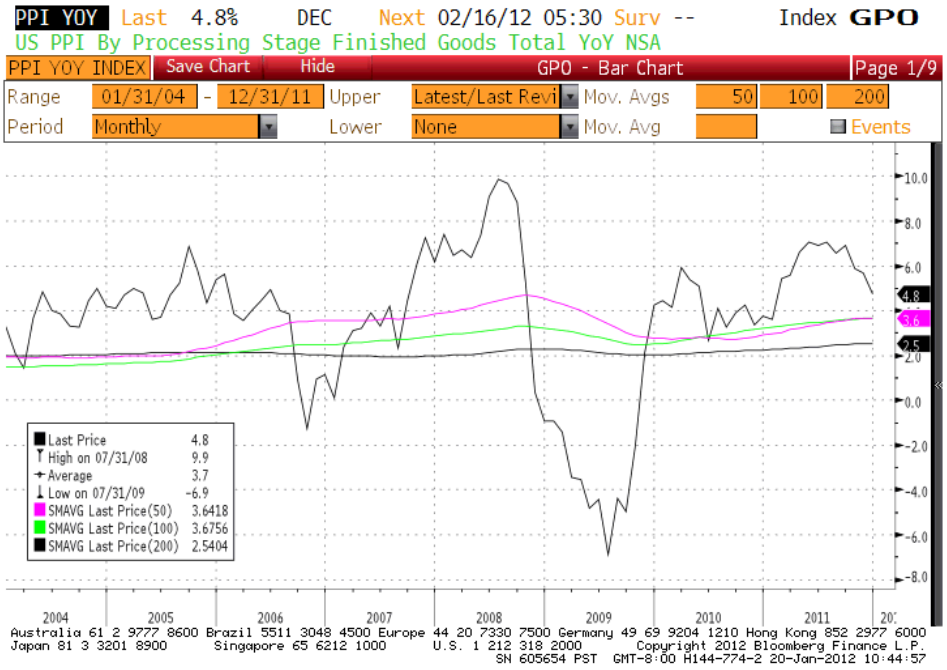


The tempered economic recovery has begun to manifest itself in some critical areas of the economy including domestic auto sales, which while not back to pre-recession levels, are growing steadily.



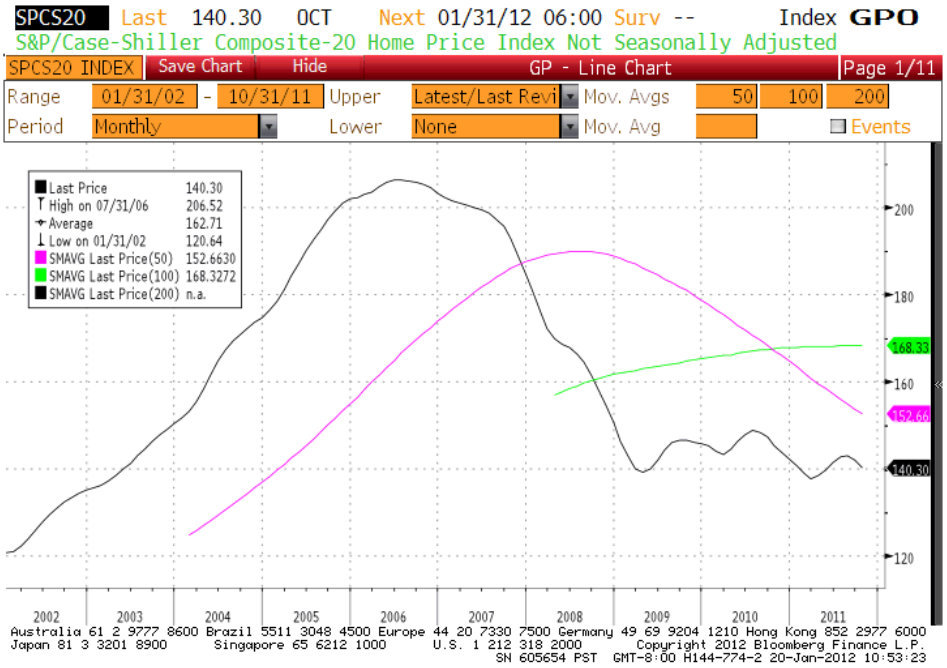
Taken a broader perspective, overall manufacturing has returned to pre-recession levels

On the inflation front, production costs have remained stable at non-inflationary levels.



While the value of US currency has stabilized.

The final component is the so called wealth effect, where the value of a person's assets is perceived to have an effect on their spending behavior. For the average American the two largest asset classes contributing to their perception of wealth are their homes, and their equity holdings. The Case-Shiller home price data shows that the home value component continues to be a challenge.



However, equity prices have climbed, helping to contribute to an overall positive wealth effect. This chart shows that the S&P 500 has returned to levels not seen since 2008.

Treasurer-Tax Collector-County Clerk
CHARLES LOMELI

STATEMENT OF COMPLIANCE
December 31, 2011

Liquidity:

The Treasury has a cash and cash equivalent position (securities maturing within 6 months) of $322 million dollars as of December 31, 2011. Based on historical trend analysis and projections by the various school districts, it is estimated that this cash position is adequate to meet projected liquidity requirements of the pool participants for the next six months.

Should the treasury experience unusual demands on cash, the liquidity position will be adjusted accordingly.

Investments:

The investment portfolio has been reviewed by the Treasurer-Tax Collector-County Clerk at December 31, 2011 and found to be in compliance with the Investment Policy.

Reporting and Distribution:

In accordance with the Government Code this report is submitted to:

County Administrator
Auditor-Controller
Board of Supervisors
Investment Oversight Committee
California Debt & Investment Advisory Commission

This report is also made available to the Superintendent of Schools, the business managers of each district, many pool participants and the public at large via the Internet.

Respectfully Submitted,

CHARLES LOMELI
Treasurer-Tax Collector-County Clerk

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Solano County Treasury

Detailed Investment Holdings

Row Labels	Values Sum of Par	Sum of Book	Sum of Market
2012			
Jan	**197,516,495**	**197,520,059**	**197,673,473**
CASH	4,647,008	4,647,008	4,647,008
Cash on Hand	**4,647,008**	**4,647,008**	**4,647,008**
CASH	4,647,008	4,647,008	4,647,008
FEDCOUP	25,000,000	25,003,564	25,003,655
FFCB	**5,000,000**	**5,003,564**	**5,003,655**
31331GKY4	5,000,000	5,003,564	5,003,655
FHLB	**20,000,000**	**20,000,000**	**20,000,000**
313372AQ7	20,000,000	20,000,000	20,000,000
JPA	38,943,368	38,943,368	39,096,692
Caltrust Medium	**7,066,832**	**7,066,832**	**7,123,229**
CALTMED	7,066,832	7,066,832	7,123,229
Caltrust Short	**31,876,536**	**31,876,536**	**31,973,463**
CALTSHORT	31,876,536	31,876,536	31,973,463
LAIF	49,902,146	49,902,146	49,902,146
Local Agency Investment Fund	**49,902,146**	**49,902,146**	**49,902,146**
LAIF	49,902,146	49,902,146	49,902,146
MMY	79,023,973	79,023,973	79,023,973
Bank of America Money Market	**0**	**0**	**0**
BANK AMERICA MMY	0	0	0
Union Bank Money Market	**393,149**	**393,149**	**393,149**
UNION BANK MMY	393,149	393,149	393,149
Wells Fargo Bank Money Market	**6,622,291**	**6,622,291**	**6,622,291**
WELLS MMY	6,622,291	6,622,291	6,622,291
Camp Money Market	**21,082,861**	**21,082,861**	**21,082,861**
CAMP MMY	21,082,861	21,082,861	21,082,861
Cal Trust Money Market	**50,925,671**	**50,925,671**	**50,925,671**
CAL TRUST MMY	50,925,671	50,925,671	50,925,671
Feb	**23,000,000**	**22,999,885**	**22,999,563**
FEDDISC	23,000,000	22,999,885	22,999,563
Freddie Mac	**23,000,000**	**22,999,885**	**22,999,563**
313396ST1	23,000,000	22,999,885	22,999,563
Mar	**10,000,000**	**10,041,716**	**10,044,750**
FEDCOUP	10,000,000	10,041,716	10,044,750
Freddie Mac	**10,000,000**	**10,041,716**	**10,044,750**
3137EABY4	10,000,000	10,041,716	10,044,750
Apr	**46,330,000**	**46,375,354**	**46,378,939**
FEDDISC	41,000,000	40,997,347	40,997,604
FHLB	**32,000,000**	**31,997,622**	**31,998,144**
313384VS5	32,000,000	31,997,622	31,998,144
Freddie Mac	**9,000,000**	**8,999,725**	**8,999,460**
313396VV2	9,000,000	8,999,725	8,999,460
MEDTERM	5,000,000	5,046,690	5,050,140
Berkshire Hathaway Financial	**5,000,000**	**5,046,690**	**5,050,140**
084664BJ9	5,000,000	5,046,690	5,050,140
CALSTATE	330,000	331,317	331,195
BURLINGAME CA FING AUTH & WASTEWATER REV	**330,000**	**331,317**	**331,195**
12145NCW8	330,000	331,317	331,195
May	**20,000,000**	**19,998,644**	**19,998,660**
FEDDISC	20,000,000	19,998,644	19,998,660
Freddie Mac	**20,000,000**	**19,998,644**	**19,998,660**
313396WH2	20,000,000	19,998,644	19,998,660
Jun	**25,000,000**	**25,243,059**	**25,287,450**
FEDCOUP	10,000,000	10,132,224	10,151,370
FHLB	**10,000,000**	**10,132,224**	**10,151,370**
3133XR5T3	10,000,000	10,132,224	10,151,370

MEDTERM	10,000,000	10,072,199	10,096,530
JP Morgan Chase & Co	**10,000,000**	**10,072,199**	**10,096,530**
481247AE4	10,000,000	10,072,199	10,096,530
CALSTATE	5,000,000	5,038,637	5,039,550
CA State RANS Series A2	**5,000,000**	**5,038,637**	**5,039,550**
13063BLK6	5,000,000	5,038,637	5,039,550
Jul	**1,250,000**	**1,250,000**	**1,250,000**
SOL	1,250,000	1,250,000	1,250,000
SOLANO-TXB-RF-PE	**1,250,000**	**1,250,000**	**1,250,000**
834127BT8	1,250,000	1,250,000	1,250,000
Aug	**11,005,000**	**11,078,436**	**11,140,828**
MEDTERM	5,000,000	5,044,416	5,082,585
General Electric Cap Corp	**5,000,000**	**5,044,416**	**5,082,585**
36962G4E1	5,000,000	5,044,416	5,082,585
TREASURY	5,000,000	5,024,443	5,050,780
US Treasury	**5,000,000**	**5,024,443**	**5,050,780**
912828LH1	5,000,000	5,024,443	5,050,780
CALSTATE	1,005,000	1,009,577	1,007,463
BENICIA USD	**525,000**	**529,577**	**529,258**
082023ME9	525,000	529,577	529,258
GROSSMONT CA UNION HIGH SCH DISTRICT	**480,000**	**480,000**	**478,205**
399262HL1	480,000	480,000	478,205
Sep	**10,000,000**	**10,000,000**	**9,993,940**
FEDCOUP	10,000,000	10,000,000	9,993,940
Fannie Mae	**10,000,000**	**10,000,000**	**9,993,940**
3135G0DE0	10,000,000	10,000,000	9,993,940
Oct	**3,016,667**	**3,023,846**	**3,043,787**
AID	16,667	16,667	16,667
Jamaica Aid	**16,667**	**16,667**	**16,667**
470172AA5	16,667	16,667	16,667
NATMUNI	3,000,000	3,007,179	3,027,120
AZ COPS Series A	**3,000,000**	**3,007,179**	**3,027,120**
040588XE0	3,000,000	3,007,179	3,027,120
Nov	**8,510,000**	**8,784,759**	**8,797,842**
MEDTERM	8,510,000	8,784,759	8,797,842
Pepsi Bottling Group LL	**8,510,000**	**8,784,759**	**8,797,842**
10138MAB1	8,510,000	8,784,759	8,797,842
Dec	**6,000,000**	**6,048,107**	**6,083,130**
MEDTERM	5,000,000	5,048,107	5,076,420
Citibank NA	**5,000,000**	**5,048,107**	**5,076,420**
17314JAT0	5,000,000	5,048,107	5,076,420
CALSTATE	1,000,000	1,000,000	1,006,710
Sacramento Municipal Utilities	**1,000,000**	**1,000,000**	**1,006,710**
786134SQ0	1,000,000	1,000,000	1,006,710
2013			
Jan	**14,140,000**	**14,356,675**	**14,420,592**
FEDCOUP	3,000,000	3,000,000	3,000,306
FFCB	**3,000,000**	**3,000,000**	**3,000,306**
31331J7E7	3,000,000	3,000,000	3,000,306
MEDTERM	11,140,000	11,356,675	11,420,286
United Parcel Service	**5,000,000**	**5,138,844**	**5,205,900**
911312AG1	5,000,000	5,138,844	5,205,900
Met Life Global Funding	**6,140,000**	**6,217,831**	**6,214,386**
59217GAA7	6,140,000	6,217,831	6,214,386
Apr	**10,265,000**	**10,420,260**	**10,467,873**
TREASURY	10,000,000	10,150,683	10,198,440
US Treasury	**10,000,000**	**10,150,683**	**10,198,440**
912828MX5	10,000,000	10,150,683	10,198,440
CALSTATE	265,000	269,577	269,433
BURLINGAME CA FING AUTH & WASTEWATER REV	**265,000**	**269,577**	**269,433**
12145NCX6	265,000	269,577	269,433
May	**20,000,000**	**20,107,700**	**20,233,375**

FEDCOUP	5,000,000	5,000,000	4,994,185
FFCB	**5,000,000**	**5,000,000**	**4,994,185**
31331K2J8	5,000,000	5,000,000	4,994,185
TREASURY	10,000,000	10,107,700	10,158,590
US Treasury	**10,000,000**	**10,107,700**	**10,158,590**
912828NC0	10,000,000	10,107,700	10,158,590
CALSTATE	5,000,000	5,000,000	5,080,600
University of CA Revs-BAB	**5,000,000**	**5,000,000**	**5,080,600**
91412GEV3	5,000,000	5,000,000	5,080,600
Jun	**16,195,000**	**16,338,589**	**16,616,958**
TREASURY	10,000,000	10,074,704	10,131,640
US Treasury	**10,000,000**	**10,074,704**	**10,131,640**
912828NH9	10,000,000	10,074,704	10,131,640
CALSTATE	6,195,000	6,263,885	6,485,318
Pacifica CA POB	**1,195,000**	**1,195,000**	**1,225,018**
69511AAC8	1,195,000	1,195,000	1,225,018
CA Statewide Communities	**5,000,000**	**5,068,885**	**5,260,300**
130795R66	5,000,000	5,068,885	5,260,300
Jul	**2,055,000**	**2,072,962**	**2,067,150**
SOL	1,250,000	1,250,000	1,250,000
SOLANO-TXB-RF-PE	**1,250,000**	**1,250,000**	**1,250,000**
834127BU5	1,250,000	1,250,000	1,250,000
CALSTATE	305,000	315,542	315,580
South Coast CA Water District	**305,000**	**315,542**	**315,580**
837433CW9	305,000	315,542	315,580
NATMUNI	500,000	507,420	501,570
Hawaii Airport System	**500,000**	**507,420**	**501,570**
419794YM8	500,000	507,420	501,570
Aug	**1,680,000**	**1,704,340**	**1,705,230**
CALSTATE	1,680,000	1,704,340	1,705,230
BENICIA USD	**300,000**	**305,929**	**306,285**
082023MF6	300,000	305,929	306,285
FAIRFIELD SUISUN USD	**1,120,000**	**1,138,411**	**1,139,051**
304747EB0	1,120,000	1,138,411	1,139,051
GROSSMONT CA UNION HIGH SCH DISTRICT	**260,000**	**260,000**	**259,893**
399262HM9	260,000	260,000	259,893
Sep	**20,100,000**	**20,155,680**	**20,112,541**
FEDCOUP	10,000,000	10,000,000	10,008,260
FFCB	**5,000,000**	**5,000,000**	**5,001,170**
31331KXD7	5,000,000	5,000,000	5,001,170
FHLB	**5,000,000**	**5,000,000**	**5,007,090**
3133747F1	5,000,000	5,000,000	5,007,090
MEDTERM	5,000,000	5,014,459	5,043,425
Microsoft Corp	**5,000,000**	**5,014,459**	**5,043,425**
594918AF1	5,000,000	5,014,459	5,043,425
CALSTATE	5,100,000	5,141,221	5,060,856
La Quinta Redevelopment	**100,000**	**100,039**	**100,606**
50420AAX2	100,000	100,039	100,606
CA State Taxable	**5,000,000**	**5,041,182**	**4,960,250**
13063BNN8	5,000,000	5,041,182	4,960,250
Oct	**20,000,000**	**20,016,193**	**20,000,730**
FEDCOUP	20,000,000	20,016,193	20,000,730
Freddie Mac	**10,000,000**	**9,997,250**	**9,989,430**
3134G2U42	10,000,000	9,997,250	9,989,430
Fannie Mae	**10,000,000**	**10,018,944**	**10,011,300**
3135GOEL3	10,000,000	10,018,944	10,011,300
Dec	**3,000,000**	**3,000,000**	**3,063,750**
CALSTATE	3,000,000	3,000,000	3,063,750
Sacramento Municipal Utilities	**3,000,000**	**3,000,000**	**3,063,750**
786134SR8	3,000,000	3,000,000	3,063,750
2014			
Jan	**421,000**	**448,660**	**458,330**

MEDTERM	421,000	448,660	458,330
Pres & Fellows of Harvard	**421,000**	**448,660**	**458,330**
740816AF0	421,000	448,660	458,330
Feb	**10,000,000**	**10,000,000**	**9,997,640**
FEDCOUP	10,000,000	10,000,000	9,997,640
FHLB	**10,000,000**	**10,000,000**	**9,997,640**
313376C52	10,000,000	10,000,000	9,997,640
Apr	**5,000,000**	**4,997,925**	**5,000,550**
FEDCOUP	5,000,000	4,997,925	5,000,550
Freddie Mac	**5,000,000**	**4,997,925**	**5,000,550**
3134G2QB1	5,000,000	4,997,925	5,000,550
May	**4,325,000**	**4,382,353**	**4,390,083**
MEDTERM	4,325,000	4,382,353	4,390,083
Google Inc	**4,325,000**	**4,382,353**	**4,390,083**
38259PAA0	4,325,000	4,382,353	4,390,083
Jun	**10,000,000**	**9,999,174**	**10,028,845**
FEDCOUP	10,000,000	9,999,174	10,028,845
Fannie Mae	**10,000,000**	**9,999,174**	**10,028,845**
3136FRTS2	5,000,000	5,000,000	5,015,725
3135G0BN2	5,000,000	4,999,174	5,013,120
Jul	**1,695,000**	**1,721,482**	**1,721,998**
SOL	1,250,000	1,250,000	1,250,000
SOLANO-TXB-RF-PE	**1,250,000**	**1,250,000**	**1,250,000**
834127BV3	1,250,000	1,250,000	1,250,000
CALSTATE	445,000	471,482	471,998
South Coast CA Water District	**445,000**	**471,482**	**471,998**
837433CX7	445,000	471,482	471,998
Aug	**12,540,000**	**12,956,906**	**13,124,149**
TREASURY	10,000,000	10,369,473	10,534,380
US Treasury	**10,000,000**	**10,369,473**	**10,534,380**
912828LK4	10,000,000	10,369,473	10,534,380
CALSTATE	2,540,000	2,587,432	2,589,769
BENICIA USD	**310,000**	**325,260**	**324,830**
082023MG4	310,000	325,260	324,830
FAIRFIELD SUISUN USD	**1,650,000**	**1,682,172**	**1,684,254**
304747EC8	1,650,000	1,682,172	1,684,254
GROSSMONT CA UNION HIGH SCH DISTRICT	**580,000**	**580,000**	**580,684**
399262HN7	580,000	580,000	580,684
Sep	**1,650,000**	**1,644,429**	**1,645,024**
MEDTERM	1,650,000	1,644,429	1,645,024
USAA CAPITAL CORP	**1,650,000**	**1,644,429**	**1,645,024**
90327QCV9	1,650,000	1,644,429	1,645,024
Oct	**18,000,000**	**18,540,457**	**18,741,360**
MEDTERM	8,000,000	8,164,261	8,178,080
YALE UNIVERSITY	**3,000,000**	**3,155,196**	**3,176,280**
98458PAB1	3,000,000	3,155,196	3,176,280
IBM CORP	**5,000,000**	**5,009,066**	**5,001,800**
459200GZ8	5,000,000	5,009,066	5,001,800
TREASURY	10,000,000	10,376,195	10,563,280
US Treasury	**10,000,000**	**10,376,195**	**10,563,280**
912828LS7	10,000,000	10,376,195	10,563,280
Nov	**10,000,000**	**11,233,385**	**11,190,220**
FEDCOUP	10,000,000	11,233,385	11,190,220