

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

SPECIAL MEETING

November 28, 2001

APPROVED
January 18, 2002

A Special Meeting of the Treasury Oversight Committee (TOC) was held on November 28, 2001 and called to order by Charles Schroeder, Chair, at 3:06 p.m.

Committee Members:

Present:

Charles Schroeder, Chair
David Sundstrom, Auditor-Controller
Robert Fauteux, Public
Gary Burton for Michael Schumacher, CEO
Wendy Margarita for Bill Habermehl, Dept. Of Education

Absent:

None

Also present were:

John Moorlach, Treasurer-Tax Collector; **Dick Hilde**, Assistant Treasurer; **Judy Jacobson**, Investment Officer; **Paul Cocking**, Assistant Investment Officer; **Julia Xue**, Financial Analyst; **Brett R. Barbre**, Public Information Officer; **Holly Henderson**, Director of Communications; **Alan Marcum**, **Eli Littner**, and **Camille Gackstetter**, Internal Audit; **John Abbott**, County Counsel.

1. Meeting Called to Order

Charles Schroeder called the meeting to order.

2. Welcome and self-introductions

Introductions were made.

3. Public Comments

There were none.

4. Approval of Minutes

The Minutes of the October 10, 2001 were reviewed.

Mr. Schumacher should have been listed as being in attendance.

Recommended Action: Mr. Schroeder called for a motion to approve the Minutes with the corrections noted. Mr. Fauteux moved to approve the minutes, 2nd by Mr. Sundstrom. Passed 5-0.

5. Chairman's Report

The Chairman had no comments.

6. Treasurer's Report

- a. The legislature passed and the Governor signed three pieces of legislation sponsored by the Treasurer.
- b. All legislative proposals to the California Association of County Treasurers and Tax Collectors (CACTTC) by Orange County were accepted, 7 of which have been added to the Omnibus Bill.
- c. Mr. Moorlach, Mr. Sundstrom, and Mr. Habermehl are all seeking re-election in March 2002.

7. Amend Investment Policy Statement

Discussion was held pertaining to allowing certain purchases of securities that are on Credit Watch Negative (*Attachment A*). Lengthy discussion held. Mr. Fauteux moved to approve the change, 2nd by Mr. Sundstrom. Passed 4-1 (Burton for-Schumacher voting NO).

8. Public Comments

There were no Public Comments.

9. Schedule Next Meeting Date

The next regular meeting was scheduled for January 16, 2001 in the Treasurer's Office, Conference Room A, 3:00 p.m.

11. Adjournment

In the absence of a motion, the Chair declared the meeting adjourned at 3:47 p.m.

Credit Watch Negative

Credit watch negative highlights the potential direction of a short- or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by credit rating agencies. Those may include:

- Mergers & acquisitions (M&A)
- Stock repurchase program
- Regulatory action
- Anticipated operating developments
- World Trade Center (WTC) terrorist attacks

Rating Designations for Corporations

MOODY'S	S&P	FITCH	S-T RATING
<i>Aaa</i>	<i>AAA</i>	<i>AAA</i>	<i>A1+/P1/F1+</i>
Aa1	AA+	AA+	<i>A1+/P1/F1+</i>
Aa2	AA	AA	<i>A1+/P1/F1+</i>
Aa3	AA-	AA-	<i>A1/P1/F1</i>
A1	A+	A+	<i>A1/P1/F1</i>
A2	A	A	<i>A1/P1/F1</i>
A3	A-	A-	<i>A1/P1/F1</i>
Baa1	BBB+	BBB+	<i>A2/P2/F2</i>
Baa2	BBB	BBB	<i>A2/P2/F2</i>
Baa3	BBB-	BBB-	<i>A2/P2/F2</i>

Edison Purchase Under Proposed IPS

MOODY'S	S&P	FITCH	S-T RATING
Aaa	AAA	AAA	A1+/P1/F1+
Aa1	AA+	AA+	A1+/P1/F1+
Aa2	AA	AA	A1+/P1/F1+
Aa3	AA-	AA-	A1/P1/F1
A1	A+	A+	A1/P1/F1
A2	A	A	A1/P1/F1
A3	A-	A-	A1/P1/F1

Moody's: A3 credit watch neg. 3/8/00

P1 credit watch neg. 9/14/00

S&P: A credit watch neg. 12/13/00

A1 credit watch neg. 12/13/99

Fitch: A credit watch neg. 11/7/00

F1 credit watch neg. 11/7/00

Top US Corporations on Credit Watch Negative

NAME	S-T RATING	L-T RATING	REASON	OUTCOME
Boeing	A1+*/-/P1/NR	AA-*/-/A2*/-/NR	WTC attack	Pending
Emerson Electric	A1+*/-/P1/NR	AA-*/-/Aa3*/-/NR	Stk-repurchase program	Pending
Chubb Corp.	B:A1+/NR/F1+	AA+*/-/Aa3*/-/AA*-	WTC attack	Downgraded (S&P); Affirmed (Myds)
	A: A1+/NR/F1+	AA-/Aa3/ AA*-		
McDonald's	B: A1+/P1/F1	AA/Aa3/AA	Stk-repurchase program	Downgraded
	A: A1/P1/F1	A+/Aa3/AA		
Procter & Gamble	B: A1+/P1/NR	AA*/-/Aa2*/-/NR	M & A	Downgraded
	A: A1+/P1/NR	AA-/Aa3/NR		

Investment Safeguards

- No Single A
- No Short-term Rating
- Treasurer/Assistant Treasurer approval prior to trade executions
- Minimum weekly review by Investment Management Committee on holdings with credit watch negative and on approved issuers

INVESTMENT PROPOSAL

Negative Watch Permitted on Long-term
Ratings of AA or BETTER < 397 DAYS