

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE  
ORANGE COUNTY, CALIFORNIA

REGULAR MEETING

October 28, 2009



The Regular Meeting of the Treasury Oversight Committee (TOC) held jointly with the Treasury Advisory Committee (TAC) on October 28, 2009 and called to order by David Sundstrom, Chair, at 3:00 PM.

**Committee Members:**

**Present:**

David Sundstrom, Auditor-Controller (Chair)  
Tom Mauk, CEO, Public Finance  
Bill Habermehl, Superintendent, O.C. Dept of Education  
George Jeffries, Treasurer, City of Tustin  
Dr. Raghu Mathur, Chancellor, S.O.C.C.C.D.

Also present were:

**Chriss Street**, Treasurer-Tax Collector; **Paul Gorman**, **Jennifer Burkhart**, **Keith Rodenhuis**, and **Yvette Clark** from the Treasurer's office; **Angie Daftary** from County Counsel; **Nancy Ishida** and **Christine Young** from Auditor-Controller's office; **Dr. Wendy Benkert**, from O.C. Department of Education, **Steve Kozak** from Children's and Families Commission; **Tim Tunney**, **Jerry Slusiewicz** and **Carol Rudat**, public members of the Treasury Advisory Committee (TAC).

**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. Mr. Habermehl arrived shortly after during agenda item # 6.

**3) Public Comments**

None.

**4) Approval of Prior Meeting Minutes**

- Mr. Jeffries **moved** to approve the Minutes of the July 29, 2009 Meeting. Mr. Benkert **seconded**. **Approved 4-0**. Abstention from Mr. Mauk.

**5) Chairman's Report**

None

**6) Treasurer's Report**

Mr. Street gave an update on the following:

- Current economic environment and portfolio strategy
  - We expect positive growth for 3<sup>rd</sup> & 4<sup>th</sup> quarter
  - We don't believe there will be another stimulus program
  - Our rates have seen a historic low but I believe we will see these rates for the next year or two.
  - When you announce big stimulus plans, people react rapidly to that news, but most of those decisions are pretty much already in the economy. Most decisions that affect employment are already in the market.
- Disaster response plan – H1N1
  - The Treasurer-Tax Collector's Office put together a Business Continuity committee to have a plan if we have something substantial such as an emergency H1N1 outbreak
- Preparation of note disclosures for CAFR is ongoing.

**7) Receive and File Treasurer's Monthly Management Reports for July through September 2009**

- Mr. Habermehl **moved** to receive and file the 3<sup>rd</sup> quarter's monthly management reports. Dr. Mathur **seconded**. **Approved 5-0**.

**8) Discuss the Purpose of the Treasurer's Advisory Committee (TAC) and the TAC's Relationship to the Treasury Oversight Committee (TOC)**

- Mr. Street stated that it is essential. TAC provides input from financial professionals that might have a great opportunity to give a perspective of markets or investments to get that input so that it can go to the formally constituted TOC for consideration on such issues as the IPS or the general direction of the Treasurer's Office.
- Mr. Sundstrom stated that it would be valuable to him if he attended one of the TAC meetings. He encouraged the other TOC members to do the same.
- Ms. Benkert and Mr. Habermehl gave a brief presentation regarding school funding and deferred payments from the State.

**9) Annual Review of Current TOC Bylaws and Responsibilities of Members**

- Mr. Jeffries wanted some clarification on item 6(d), page 2 of the TOC Bylaws. Mr. Sundstrom recommended changing the bylaws Item 6(d) to read

- two members of the public instead of a representative from the special district.
- This item Dr. Mathur **moved** to remove Rule 6 (d) from the TOC bylaws. Mr. Jeffries **seconded**. Approved 5-0.
  - Ms. Daftary pointed out that all changes must go to the Board of Supervisors and that we need to look at the government code that specifically details positions and suggested that TOC carry this item over to the next scheduled meeting. We should bring action back to next meeting before taking to the Board.
- 10) Receive Treasurer’s Response to Grand Jury report: “Orange County Investments: The Need for Stronger Oversight”**
- Mr. Gorman handed out the Treasurer’s Response to the TOC members. Mr. Habermehl commented that it was brief and well done.
  - Dr. Mathur **moved** to receive the Treasurer’s response. Mr. Habermehl **seconded**. **Approved 5-0**
- 11) Annual Approval of Investment Policy Statement - Unchanged**
- Mr. Habermehl **moved** to approve the Investment Policy Statement. Mr. Jeffries **seconded**. **Approved 5-0**.
- 12) Update on Solicitation for Request for Proposals to Audit the Treasurer’s Compliance with the IPS and Relevant to California Government Code**
- Mr. Gorman stated that we were issued an RFP back in 2004 to have an external auditor for the annual compliance. We chose Moreland & Associates who then merged with and was renamed to Macias Gini & O’Connell. We are at the end of that contract. We put a new RFP out on the street and we are waiting for responses which will be evaluated toward the end of November. We’ve asked Bob Franz from CEO’s office & Nancy Ishida from Internal Audit to sit on the committee. We would be ready to go to the board before January. Do we come back to the committee before we approve our selection? Mr. Sundstrom stated that he would prefer a special meeting. One of the major activities of this committee to is to cause the selection of the CPA.
  - Ms. Daftary explained that the law specifically states that TOC causes this to happen. TOC does not have independent power to approve. The Board is the ultimate approving party of the contract.
  - Mr. Tunney stated he wasn’t familiar with the name Macias Gini & O’Connell. He suggested that we used a more well-known named company known by the public. Ms. Rudat added though that Enron was audited by Arthur Anderson.
  - Mr. Mauk believes we need to go through the process & see what the results are.
  - Mr. Sundstrom stated that from his experience the practices of larger firms do not want to be involved in government, it’s way too much risk for them. They never bid on our contracts. In fact, they don’t even bid on the city of Los

Angeles anymore. Macias Gini & O'Connell came into this playing field about 12-15 years ago as somewhat of an unknown and they have since captured a number of the large California counties. They are known in our world.

- Mr. Tunney commented that when you're audited by a big name, the assumption is that the big name would pay.
- Mr. Sundstrom explained that this audit is not a financial statement audit. This audit is merely a set of agreed-upon procedures which has a different type of opinion & goes through SB866 and sees that we are complying with it and how we administer the Treasurer's Oversight Committee. They do look at some compliance work to make sure that the Treasurer is in compliance with the IPS. Usually they choose 5-10 days out of the entire year.
- Mr. Street stated he would send out the RFP to TOC members for review.
- Ms. Rudat added that in her experience she thinks the size of the firm is irrelevant. She has received much better service from smaller firms.
- Mr. Sundstrom stated that smaller firms sometimes cannot afford the malpractice lawsuit.
- Mr. Sundstrom commented that we are well audited. My auditor reviews 50% of all daily trades, 10 days a month, looking for strict compliance. We also have 3 reviews & 1 detailed audit that is performed specifically of the pool by Nancy Ishida and then we have an annual audit performed by a very competent CPA firm.

### **13) Public Comments**

None

### **14) Schedule Next Meeting**

- The next meeting was scheduled for January 27, 2010 at 3:00pm at the Auditor-Controller's Conference Room 300, 12 Civic Center Plaza, Santa Ana, CA 92701. However, if necessary a special meeting will be scheduled prior to recommend a CPA for the annual audit & approval by the Board.

### **15) Adjournment**

- Mr. Sundstrom adjourned the meeting at 4:07 p.m.