

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

REGULAR MEETING

September 13, 2000

APPROVED

November 29, 2000

A Regular Meeting of the Treasury Oversight Committee (TOC) was held on September 13, 2000 and called to order by Robert Fauteux, Chair, at 3:10 p.m.

Committee Members:

Present:

Robert Fauteux, Chair
John Dean, Superintendent, Dept. Of Education
Michael Schumacher, Interim CEO
David Sundstrom, Auditor-Controller
Chuck Schroeder, Public

Also present were:

John Moorlach, Treasurer-Tax Collector; Dick Hilde, Assistant Treasurer; Judy Jacobson, Investment Officer; Joanne Guerriero, Secretary; Brett Barbre, Staff Assistant; Pam Parisien, Alan Marcum & Lily Chin, Internal Audit;

1. Meeting Called to Order

Robert Fauteux called the meeting to order.

2. Welcome and self-introductions

Introductions were made.

3. Public Comments

None

4. Approval of Minutes

The Minutes of the May 24, 2000 were reviewed. Mr. Schroeder asked for clarification in the last sentence in item #9, Yield Restriction Requirements, page four regarding conflicting opinions Mr. Hilde had received from bond counsel. Mr. Hilde responded he did not know if they were the same individuals providing different opinions or different individuals because he had not spoken directly to bond counsel. Discussion continued and the sentence will be left in the minutes as the yield restriction requirements issue has not been resolved.

(Telephone call received at 3:25 p.m. from Facilities Operations advising of a power interruption in 30 minutes due to the energy crisis caused by the current heat wave.)

Mr. Sundstrom advised in item #10, IPS, page five, second line from the bottom, language should be changed from quarterly cash "accounts" to quarterly cash "counts."

Mr. Fauteux asked for clarification in the third paragraph on page three which states, "The Attorney General's office is suing KPMG for the manner in which they handled the County." He presumes that is in reference to the bankruptcy audit. Mr. Sundstrom clarified that basically means the audit preceding the bankruptcy. Language should be changed to read, "The Attorney General's office is suing KPMG for the manner in which they handled the County's pre-bankruptcy audit."

Recommended Action: Mr. Fauteux called for a motion to approve the Minutes. Mr. Sundstrom moved to approve the minutes, 2nd by Mr. Schroeder. Passed 4-0 with one abstention.

5. Introduce New Member

Mr. Fauteux introduced and welcomed Michael Schumacher, Interim CEO. Mr. Schumacher knows many of the members and agreed with Mr. Fauteux with regard to the learned, earnest and quick group. Mr. Fauteux asked if Mr. Schumacher has taken care of his conflict of interest filing. He responded that he had filed with the County but not specifically for this committee. This will be reviewed to determine if he must file separately.

6. Treasurer's Report

Mr. Moorchach reported since our last meeting we have produced our May, June Fiscal Year-End, which is our thick annual report, and our July and August reports. If anyone has any questions or comments he will be happy to respond. There were no comments.

The Board approved our Extended Fund and investing in that fund has been moving slowly since the yield curve is still inverted.

The accrual method for apportionment of interest income is moving well. We are near completion of the programming changes that the Auditor-Controller has requested. Senate Bill 1493 has also been signed by the Governor inserting the definition of the accrual method in the State Code.

Mr. Moorchach reported that his office submitted 10 legislative recommendations to the County Treasurers association (CACTTC) for inclusion in the 2000-2001 platform. All but one of these recommendations was approved. We are now looking for sponsors.

Mr. Moorchach brought the first of these proposals to Mr. Sundstrom's attention. He stated that we were previously successful in amending Section 27063 of the Government

Code to allow either the Treasurer or the Auditor-Controller to provide the monthly statement of cash receipts and disbursements to the Board of Supervisors and the Clerk of the Board. It turns out that even the Auditor-Controller has some problems in providing this report. In view of the antiquated requirements of this code section it is recommended that this be eliminated completely and are requesting the Auditor-Controller to ask his statewide organization to support this proposed legislation

The second proposal would treat penalties and interest on back taxes as a lien on property. This resulted from litigation with the FDIC (Fed Deposit Ins Corp.) While they would pay the back taxes on properties they had foreclosed, they would not pay the interest or penalties. Orange County submitted this as a legislative proposal last year but it was thrown out of an omnibus bill.

The third proposal is to provide for controlled disbursement of checks issued by the County. This would allow checks to be drawn on an East Coast bank. Because of the time differences, the Treasurer could provide better cash management. This was proposed last year by L.A. County and supported by Orange County. Due to opposition by the State Treasurer, the legislation was not successful. This year, Orange County resubmitted as we believe that the State Treasurer will no longer oppose.

The fourth proposal would eliminate duplication in Government Code Sections 53601 and 53635. The sections govern local agency investments.

The fifth proposal would add Funding Agreements, which are eligible investments for 2a-7 money market funds throughout the country. They are not currently authorized in the state's Government Code.

Number six is also a resubmitted from last year. This would allow the treasurer the alternative to invest funds under the SEC 2-a7 rules for money market funds.

Proposal number seven would amend the code sections pertaining to the Treasury Oversight Committee. It would provide that all the members of the committee be allowed to have designees. Currently, only the Supt. of Education is allowed a designee. Concurrently, County Counsel is reviewing this item to determine if, in fact, this may be allowed under current code.

Proposal eight is a tax collection item and relates to property taxes paid in error by a former owner of property. The issue is how to make prompt refunds of such payments.

Number nine is also a property tax item, which concerns the deadlines for tax payments. The code is somewhat vague and this proposal would clear that up.

Proposal ten would clarify the code for handling taxpayer "short payments" or payments that are a little less than they should have been. This failed to get enough support because of differing policies at the various counties.

Staff changes have been made as follows:

- C Gary Larson who was my Staff Assistant has gone on to the Bay area to be the deputy director of communications for the Yes on Prop. 38 campaign. He has been replaced by Brett Barbre who is well qualified for the position.
- C Kim Hansen has been promoted to Cash Manager. She was the Assistant Cash Manager. She now replaces Judy Jacobson who was handling both investment management and the cash management.
- C Dan Puglia, Accounting Supervisor on the Treasurer side will be going over to the Administration side to handle the accounting and budget.

On a Sesquicentennial note, Mr. Moorlach took his family to Sacramento to observe the State's 150th anniversary on September 9. A postage stamp was released on Friday for the State of California and the Postal Service in Santa Ana held a ceremony. The OC Historical Society has come out with a book on Orange County entitled "Orange Blossoms." Mr. Moorlach was given the privilege of writing the introduction and this weekend the California official Sesquicentennial book titled "California Golden Past, Shining Future" came out and he also had the privilege of writing the introduction for that book as well.

There are two ballot Measures (G and H) on the countywide ballot for November. Measure G was authored by Mr. Moorlach who had it placed on the Board of Supervisors agenda. Three Board members approved it to be placed on the ballot. He explained that the Measures dictate how the tobacco settlement litigation revenues would be disbursed.

Our department's website is really moving along. Since the last time the Committee met we have been able to add a full option of downloading the entire report by just one click. Prior to adding this option, each section had to be accessed separately. The Schools have been especially pleased with the ability to choose to download the entire report.

We continue to be active in CACTTC. We had a successful meeting in June in San Diego. Dick Hilde was one of the speakers and pulled me into the discussion. We talked about bond ratings for school bond measures. Newport Mesa and La Habra received "A" grades. Both passed with more than 70% of the vote. The School Districts have been very receptive to the idea of wanting to get a high grade (rating) so it has been a good public service.

The Chairman asked if there were any questions. There were none.

7. Chairman's Report

The Chairman noted that the O.C. Grand Jury Report finished their session at the end of June and published their report. He didn't see anything that directly impinges on the Oversight Committee. Chuck Schroeder requested a copy of the Report. Bob gave him his and Joanne obtained another copy for Bob. At the Grand Jurors Association luncheon

last week they introduced the new Grand Jury.

8. Designee for the Treasury Oversight Committee

The Chair advised that his item has already been discussed under the Treasurer's Report. Dr. Dean raised the issue of the one-year employment restriction and discussed some of the problems that presented him in obtaining a designee. Mr. Schroeder asked Dr. Dean if he lost many employees to financial organizations. He responded that he didn't but that it was a temptation.

9. SB 866 Compliance Audit Status Report

Mr. Moorlach reported it is still in progress and asked the representative from Internal Audit, Alan Marcum, about the status. He advised that they are in process of doing the daily testing and hope to have the testing report in October. It will be ready for the November 29 meeting and is coming in on budget.

There was a discussion regarding Section 32 of the bylaws of the committee. The Secretary advised that when the bylaws were amended last year there were two versions of Section 32 discussed and the wrong one was inadvertently put in. This related to the certification by the members of the committee and whether it should be done annually or just once upon appointment to the committee. After some discussion it was determined that the intention was that the members complete the certification form annually. Mr. Hilde will bring the amended bylaws back to the committee for action at the November meeting. In the meantime, the members agreed to complete the certification for this year and place it on file with the secretary.

Mr. Hilde was asked if there were any cities in the Treasurer's pool. He stated that there are no cities in the pool that are voluntary participants. We have three special districts. The only voluntary participants are Serrano Irrigation District, Costa Mesa Sanitary District, and Mesa Consolidated Water District, which was approved yesterday. Mr. Shumacher raised a question of whether endorsement of a political candidate was a contribution under the bylaws. David Sundstrom asked if this might include the endorsement of candidates if your endorsement is used for fund raising activities? Mr. Hilde stated that he did not believe it would include endorsements. An endorsement is not a contribution. Mr. Moorlach added that this might be an impingement on the freedom of speech.

10. Public Comments

Mr. Shumacher thanked everyone for their warm welcome to the Committee. He appreciates being here.

11. Schedule Next Meeting Date

The next regular meeting is scheduled to be held on November 29, 2000 in the

Treasurer's Office, Conference Room A, 3:00 p.m.

12. Adjournment

Mr. Fauteux adjourned the meeting at 3:55 p.m.