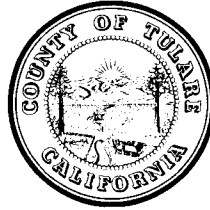


# County of Tulare

C. Brian Haddix  
County Administrative Officer

Kristin Bennett, Assistant  
County Administrative Officer



**AGENDA DATE:** May 23, 2006

**SUBJECT:** Transfer Investment Authority for the Tulare County Treasury Investment Pool from the Board of Supervisors to the Auditor-Controller/Treasurer-Tax Collector's Department

**REQUEST:** That the Board of Supervisors:

1. Delegate the investment authority for the Treasury Investment Pool to the Auditor-Controller/Treasurer-Tax Collector per County Ordinance Section 1-03-2061(d)(1).
2. Transfer the investment/management of the Liquid Investment Pool (LIP) from Public Financial Management (PFM) to the Auditor-Controller/Treasurer-Tax Collector.
3. Approve the modification of the agreements with PFM and Chandler Asset Management for each firm to manage approximately 50% of the Treasury Investment Pool, excluding the portion that will be managed by the Auditor-Controller/Treasurer-Tax Collector, at an annual fee of 0.06% of the managed portfolio.
4. Request the Auditor-Controller/Treasurer-Tax Collector to prepare and present to the Board of Supervisors a statement of investment policy within 60 days.

**SUMMARY/JUSTIFICATION:**

In November 2005, the Board of Supervisors assumed full responsibility for oversight and investment of the Tulare County's Treasury Investment Pool in accordance with Government Code sections 27000.1 and 27000.3. The Board contracted with Public Financial Management (PFM) for investment management responsibilities of the Liquid Investment Portion (LIP) or short-term investments of the Pool. The Board continued to use external managers, Chandler Asset Management and PFM, for the investment of the remainder of the Pool's assets.

In January 2006, the offices of the Auditor-Controller and Treasurer-Tax Collector were combined. During this time, PFM and Chandler Asset Management worked with Treasurer staff to enhance the holdings in the LIP to better position it for short-term cash flow needs. In addition, with the help of the external managers and advice from other investment personnel, Treasurer staff developed a more complete and functional cash flow model that provides daily investment information used in the LIP investment program.

Based on the work done in the last six months, the Treasurer's office is positioned to oversee the Pool and manage the daily activity in the LIP portion of the Pool. Therefore, it is recommended that the investment authority over the Treasury Investment Pool be transferred from the Board of Supervisors to the Auditor-Controller/Treasurer-Tax Collector, per County Ordinance Section 1-03-2061(d)(1). Additionally, it is recommended that the investment and management of the Liquid Investment Pool (LIP) be transferred from PFM to the Auditor-Controller/Treasurer-Tax Collector.

During the transition, a Request For Proposals was issued for the external managers used in the Treasury Pool. A review team was established with representatives from the Auditor's Office, Assessor's Office and the Tulare County Employee Retirement Association. The review team reviewed and ranked each submittal. PFM and Chandler Asset Management ranked as the top two. Treasurer staff has determined that it would be more appropriate and worthwhile to evenly allocate the monies to these two managers and have them manage to the same 1-5 benchmark. One of the respondent firms that finished below the top two firms indicated their basis points charge to be 6 basis points, which was lower than PFM and Chandler Asset Management quotes. Auditor staff negotiated with PFM and Chandler Asset Management to lower their fees to 6 basis points. The County Administrative Office concurs with their decision to change the allocation and respective benchmark.

It is requested that your Board approve the modification of the agreements with PFM and Chandler Asset Management for each firm to manage approximately 50% of the County Investment Pool, excluding the portion that will be managed by the Auditor-Controller/Treasurer-Tax Collector, at an annual fee of 0.06% of the managed portfolio.

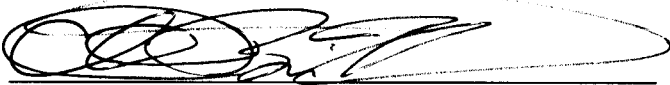
Annually, your Board must adopt an investment policy. It is requested that you request the Auditor-Controller/Treasurer-Tax Collector to prepare and present a statement of investment policy within 60 days for your Board's consideration.

**FINANCING:** None required.

**ALTERNATIVES:** The Board may continue to retain full responsibility for the investment authority of the County of Tulare's Treasury Investment Pool.

**INVOLVEMENT OF OTHER DEPARTMENTS OR AGENCIES:** The Auditor-Controller/Treasurer-Tax Collector, Assessor, Tulare County Employee Retirement Association, and County Counsel have assisted in the transition and development of these recommendations.

**ADMINISTRATIVE SIGN-OFF**



C. Brian Haddix, Chief Administrative Officer

CBH/cb

Cc: Jerry Messinger, Auditor-Controller/Treasurer-Tax Collector  
Kathleen Bales-Lange, County Counsel

**BEFORE THE BOARD OF SUPERVISORS  
COUNTY OF TULARE, STATE OF CALIFORNIA**

**IN THE MATTER OF TRANSFERRING )  
INVESTMENT AUTHORITY FOR THE )  
TULARE COUNTY TREASURY )  
INVESTMENT POOL FROM THE )  
BOARD OF SUPERVISORS TO THE )  
AUDITOR-CONTROLLER/TREASURER- )  
TAX COLLECTOR'S DEPARTMENT, )  
MODIFICATION OF INVESTMENT )  
MANAGER AGREEMENTS AND REQUEST )  
FOR INVESTMENT POLICY )**

**Resolution No. \_\_\_\_\_**

UPON MOTION OF SUPERVISOR \_\_\_\_\_, SECONDED BY  
SUPERVISOR \_\_\_\_\_, THE FOREGOING WAS ADOPTED BY THE  
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD \_\_  
\_\_\_\_\_ BY THE FOLLOWING VOTE:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

ATTEST: C. BRIAN HADDIX  
COUNTY ADMINISTRATIVE OFFICER/  
CLERK, BOARD OF SUPERVISORS

BY: \_\_\_\_\_  
Deputy Clerk

\* \* \* \* \*

1. Delegated the investment authority over the Treasury Investment Pool to the Auditor-Controller/Treasurer-Tax Collector per County Ordinance Section 1-03-2061(d)(1).
2. Transferred the investment/management of the Liquid Investment Pool (LIP) from Public Financial Management (PFM) to the Auditor-Controller/Treasurer-Tax Collector.
3. Approved the modification of the agreements with PFM and Chandler Asset Management for each firm to manage approximately 50% of the County Investment Pool, excluding the portion that will be managed by the Auditor-Controller/Treasurer-Tax Collector, at an annual fee of 0.06% of the managed portfolio.
4. Requested the Auditor-Controller/Treasurer-Tax Collector to prepare and present to the Board of Supervisors a statement of investment policy within 60 days.