

Tegan Speiser

From: Fred Keeley [TTC073@co.santa-cruz.ca.us]
Sent: Tuesday, June 13, 2006 3:35 PM
Tegan Speiser
Subject: Office of the Treasury

Tegan,

Here is some information based on our telephone conversation of this date. If you need more, email or call me.

1. Basic Relationship with SCCRTC and Office of the Treasury. This office functions as a public sector bank for public entities. The basic relationship is established by resolution involving the Auditor-Controller, this office, and the entity that wishes to have a banking relationship with this office. Therefore, I would recommend that you have the SCCRTC adopt a very basic resolution indicating that in your new organizational structure, that it is the intent of the SCCRTC to retain the existing relationship with both the Auditor-Controller and the Office of the Treasurer-Tax Collector. Forward that adopted resolution to both the Auditor-Controller and to this office (my attention, please).

2. Amount in Investment Pool. The SCCRTC has several accounts in the investment pool. In simple terms, the SCCRTC has \$5.1 million in the STP Exchange Program Account, and \$1.7 million in the TDA Trans Trust Account, with additional funds of \$1.7 in several small accounts.

3. Management Fee. The Office of the Treasury manages a \$650 million daily investment pool for several dozen public sector clients (the County of Santa Cruz, Board of Supervisors Governed Districts, water districts, recreation districts, fire protection districts, school districts, the County Office of Education, and Cabrillo College). The estimated management fee for the 2006-07 Fiscal Year will be approximately 1/10'th of one percent (or 10 basis points).

4. Interest Earnings. It is estimated that the pool will earn approximately 4.24% on investments during the 2005-06 Fiscal Year that will end at the end of this month. That should be contrasted with 2.201% that was earned during the 2004-05 Fiscal Year. The pool will earn and receive approximately \$23,000,000.00 during the current FY, representing approximately a 100% increase in interest earnings distribution from the previous FY.

5. Investment Pool. The Treasury today has an investment pool balance of \$654,117,792.85. The pool is invested as follows:

Negotiable Certificates of Deposit	\$194,993,318.62	30% of pool total
Medium Term Notes	\$190,604,934.54	29% of pool total
Commercial Paper	\$135,940,087.22	21% of pool total
Government Agency DN & Coupon	\$111,793,387.76	17% of pool total
Other	\$13,000,000.00 (est)	3% of pool total

The pool is presently invested fairly short as the Federal Open Market Committee continues to signal a desire to increase the overnight rate as a major tool for keeping inflation in check. We are likely however to extend duration a bit to hedge against a downturn in the bond markets. Additionally, this office is of the view that the yield curve (which is presently flat or slightly inverted) is not as reliable as it once was in terms of estimating future returns on investment.

I hope that this is useful to you.

FRED KEELEY
Treasurer
County of Santa Cruz

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