

*Gordon B. Ford*

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Treasurer-Tax Collector

BOARD AGENDA # \*B-8

Urgent

Routine

*ent*

AGENDA DATE October 5, 2010

CEO Concurs with Recommendation YES  NO

4/5 Vote Required YES  NO

(Information Attached)

SUBJECT:

Approval to Accept the Report on Tobacco Securitization Funds and Recommended Actions by the County Treasurer

STAFF RECOMMENDATIONS:

1. Accept the report on Tobacco Securitization Funds and recommended actions by the County Treasurer.
2. Authorize the County Treasurer to make investments including funds from the Tobacco Securitization Funds pursuant to Government Code Section 53607.

FISCAL IMPACT:

The investment in long term maturities will generate more interest income to the County.

BOARD ACTION AS FOLLOWS:

No. 2010-621

On motion of Supervisor O'Brien, Seconded by Supervisor Monteith

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1)  Approved as recommended

2)  Denied

3)  Approved as amended

4)  Other:

MOTION:

*Christine Ferraro*

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

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**DISCUSSION:**

California Government Code Section 53601 restricts most investments to maturities of five year or less, however the Board of Supervisors can make exceptions. When Stanislaus County sold bonds and created the Tobacco Endowment Funds, a separate investment policy was created. This policy included statements that the primary objective of the funds was to add revenue and that funds shall be invested in fixed income vehicles with maturities of up to 30 years.

When bonds were first sold in 2002, some funds were placed in investments with maturities up to 2032. In the last few years, short term investments were earning a relatively high return so many investments were kept in short term funds. As shown in the Annual Report on the Tobacco Endowment Funds on the Board of Supervisors' August 24, 2010 agenda, more recently, short term funds are not earning high interest return.

In March 2002, the County sold tobacco bonds and received \$52,403,206. Since 2002, the fund kept some of the interest earned and grew so that as of June 30, 2010, the fund had a market value of \$57,776,650.03. In Fiscal Year 2009/2010, the fund earned \$2,398,972.44 or approximately 4.1%.

On March 29, 2006, Stanislaus County sold additional tobacco bonds and created a 2006 fund at \$40,971,290.96. It has grown due to interest earnings and \$7,474,978.00 was withdrawn on March 15, 2010 to provide a loan to the Animal Services Facility Capital Project. As of June 30, 2010, the 2006 fund had a market value of \$34,728,856.46. In Fiscal Year 2009/2010, the 2006 fund earned \$497,395.16 or approximately 1.5%.

The reason for difference between the two tobacco funds is because 79% of the 2002 funds are invested in long term municipal bonds and all of the 2006 funds are in short term investments.

At this time, the total tobacco fund has a market value of approximately \$92 million and \$46 million is in long term municipal bonds with only \$6 million in State of California Bonds. Due to current state of problems, the long term State of California bonds are paying over 4%. The investment policy allows up to 50% of the funds to be placed in State of California bonds.

As Treasurer, it is my intention to invest \$10 million of the 2006 funds from short term investments into long term Bonds issued by State of California. Since this represents over 10% of the funds and is a long term commitment, this is being brought back to the Board of Supervisors prior to investment.

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**POLICY ISSUES:**

Government Code 53607 gives the legislative body the authority to invest or to reinvest funds of a local agency, which can be delegated to the Treasurer.

Approval of this agenda item will support the Board's priority of Efficient Delivery of Public Services.

**STAFFING IMPACT:**

There is no staffing impact associated with this agenda item.

**CONTACT PERSON:**

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