



BUTTE COUNTY TREASURY OVERSIGHT COMMITTEE

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Lisa Anderson, BCOE Director of Fiscal Services, Superintendent of Schools Representative
David A. Houser, Butte County Auditor-Controller
Maureen Kirk, 3rd District Supervisor, Butte County Board of Supervisors Representative
Mark Sweany, Chico Area Recreation & Park District – Special Districts Representative
Susan Watts, OUHSD Assistant Superintendent of Business, School Districts Representative

MINUTES – October 11, 2011

Attending Members: Maureen Kirk, Chair
Lisa Anderson
Mark Sweany
Susan Watts

Others: Peggy Moak, Assistant Treasurer-Tax Collector
Greg Iturria, Chief Financial Officer

Consent Agenda

- 3.01 The committee reviewed and approved the minutes from the April 12, 2011 Treasury Oversight Committee Meeting. Action: Approve Consent Agenda
M – Watts S – Sweany Motion carried (as part of motion to accept Consent Agenda)
- 3.02 Receipt and review of Investment Reports for quarters ending March 31, 2011 and June 30, 2011 were acknowledged and accepted for information
M – Watts S – Sweany Motion carried (as part of motion to accept Consent Agenda)

Regular Agenda

- 4.01 Historical overview of interest rates and pooled portfolio yields presented by Peggy Moak (see attached)
- 4.02 Discussion of current economic trends and investment considerations facilitated by Peggy Moak
- Debt Ceiling debates, delays, politics and affect on the financial markets
 - S&P's downgrade of US Debt affects some muni debt, all agencies, FDIC
 - European Union fiscal crisis Greece, Ireland, Portugal, Spain, Italy (a surprise)
 - Extreme volatility seems to be the norm at present
 - More unknowns than knowns in this uncertain and fragile global economy
- 4.03 The timing and location of upcoming meetings was discussed: The meeting of April 10, 2012 will be held in the Auditor's Conference Room. The October meeting date will be scheduled later in the month than usual to accommodate the Treasurer's conference schedule, and will be held on October 23, 2012, also in the Auditor's Conference Room.
- 4.04 New Business - none
- 5.00 There being no New Business or Public Comment, the meeting was adjourned at 8:55 AM. The next meeting is scheduled for Tuesday, April 10, 2012.

October 11, 2011 – Treasury Oversight Committee Meeting

DISCUSSION ITEM: 4.01 – Historical overview of interest rates and pooled portfolio yields

Please see the attached charts for a perspective on the five year moving averages for the Butte Pooled Treasury vs. the shorter term investment strategy employed by LAIF.

The Local Agency Investment Fund (LAIF) is used as a benchmark for portfolio performance. A look at the 5 year moving average for the Butte County Treasury yields vs. LAIF yields demonstrates that, over time, a medium term, laddered portfolio will generally outperform a shorter term investment strategy, which LAIF usually mirrors. The 5 year moving average for Butte County's FY 09/10 and FY 10/11 performance compared to LAIF shows margins of .592% and .917%, respectively. Using \$300,000,000 as a baseline portfolio (actively invested balance), this translates to enhanced earnings averaging \$2,751,000 per year for the past five years.

Investments are marked to market monthly based on a current market price determined by US Bancorp Investments. **The fair value of the pooled Treasury portfolio is 101.38% of the cost-carried balance as of 6-30-11. As of today's date, Standard & Poor's Rating Agency has downgraded US Government debt (Treasuries) and its Agencies, including FHLB, FHLMC, FNMA, FFCB and FDIC insured debt, to AA+. The two other rating agencies, Moody's and Fitch, have reaffirmed these same debt issuers at the AAA rating level.**

The next spreadsheet and charts provided demonstrate the balance trends in the pooled portfolio since 2000. The charts show the effects of tax revenues received in April and December of each year and, in the full balance chart (including TRAN and bond proceeds in the balance), how the receipt of TRAN proceeds evens out the cash flows to enable appropriate expenditure management.

The last chart shows Historical Interest Rates between the years of 1960 and 2010

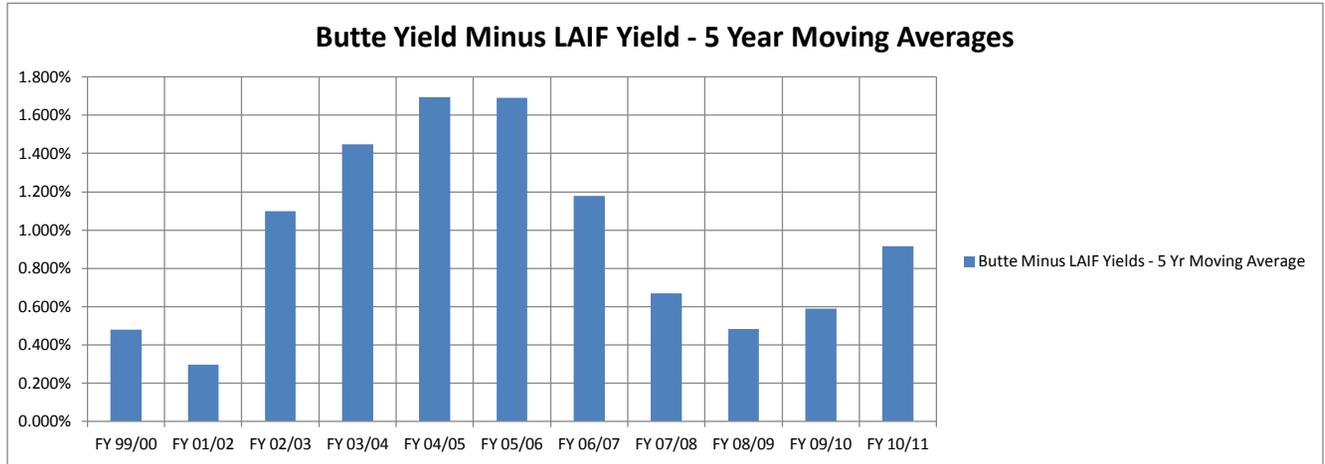
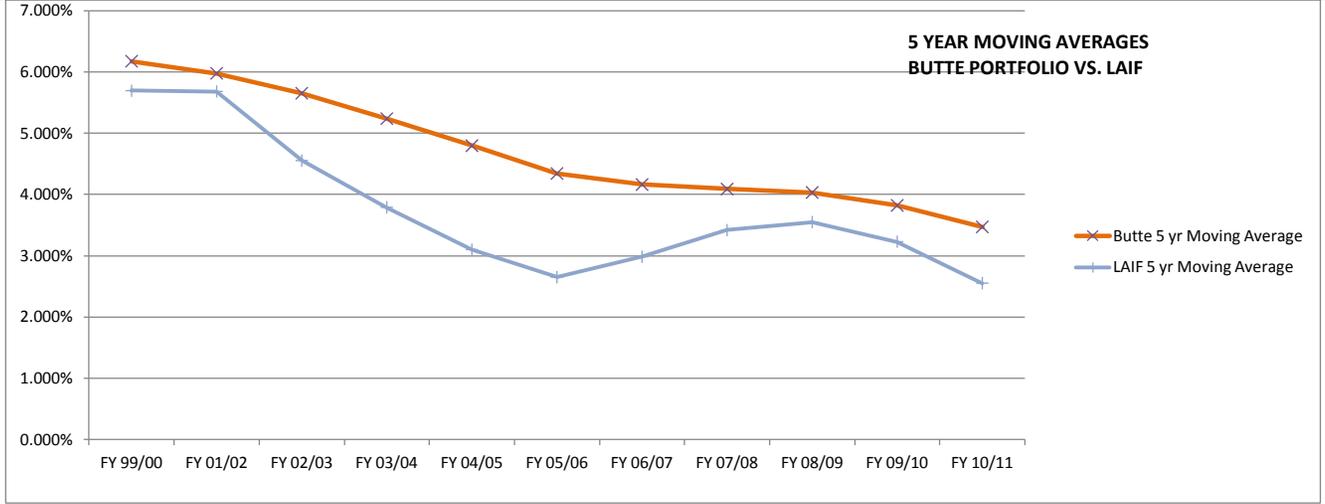
As of Sep. 13, 2011, the yields are substantially lower, as follows:

3 mo.	.00%
6 mo.	.04%
1 yr.	.09%
2 yr.	.20%
5 yr.	.86%
10 yr.	1.95%
30 yr.	3.25%

The next few years will prove challenging for our economy, and for the performance of the pooled portfolio.

Butte Combined Portfolio Yields (from Monthly Investment Reports)

	FY 99/00	FY 01/02	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	
Butte 5 yr Moving Average	6.175%	5.978%	5.653%	5.238%	4.796%	4.344%	4.163%	4.089%	4.034%	3.822%	3.472%	Average Annual Yield
LAIF 5 yr Moving Average	5.694%	5.681%	4.554%	3.791%	3.101%	2.652%	2.985%	3.419%	3.550%	3.231%	2.555%	LAIF Annual Yields
Butte Yield minus LAIF	0.481%	0.297%	1.099%	1.447%	1.695%	1.692%	1.178%	0.670%	0.484%	0.592%	0.917%	Butte Yield minus LAIF

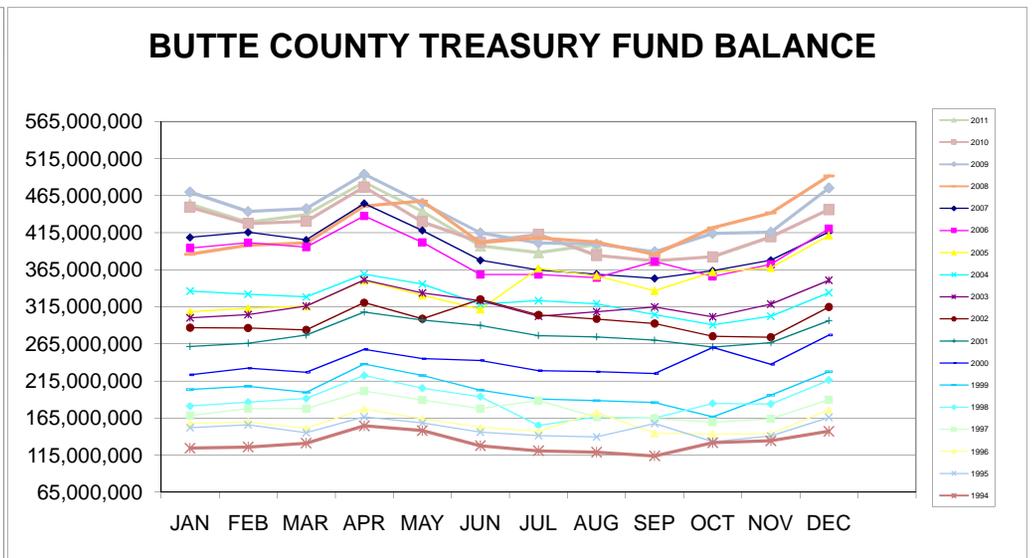
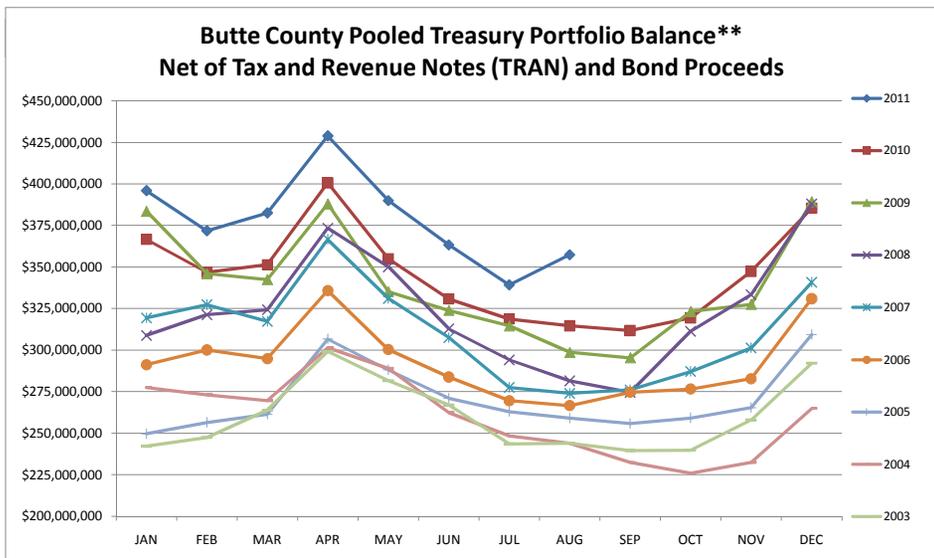


BUTTE COUNTY TREASURY FUND BALANCE NET OF TRAN AND BONDS

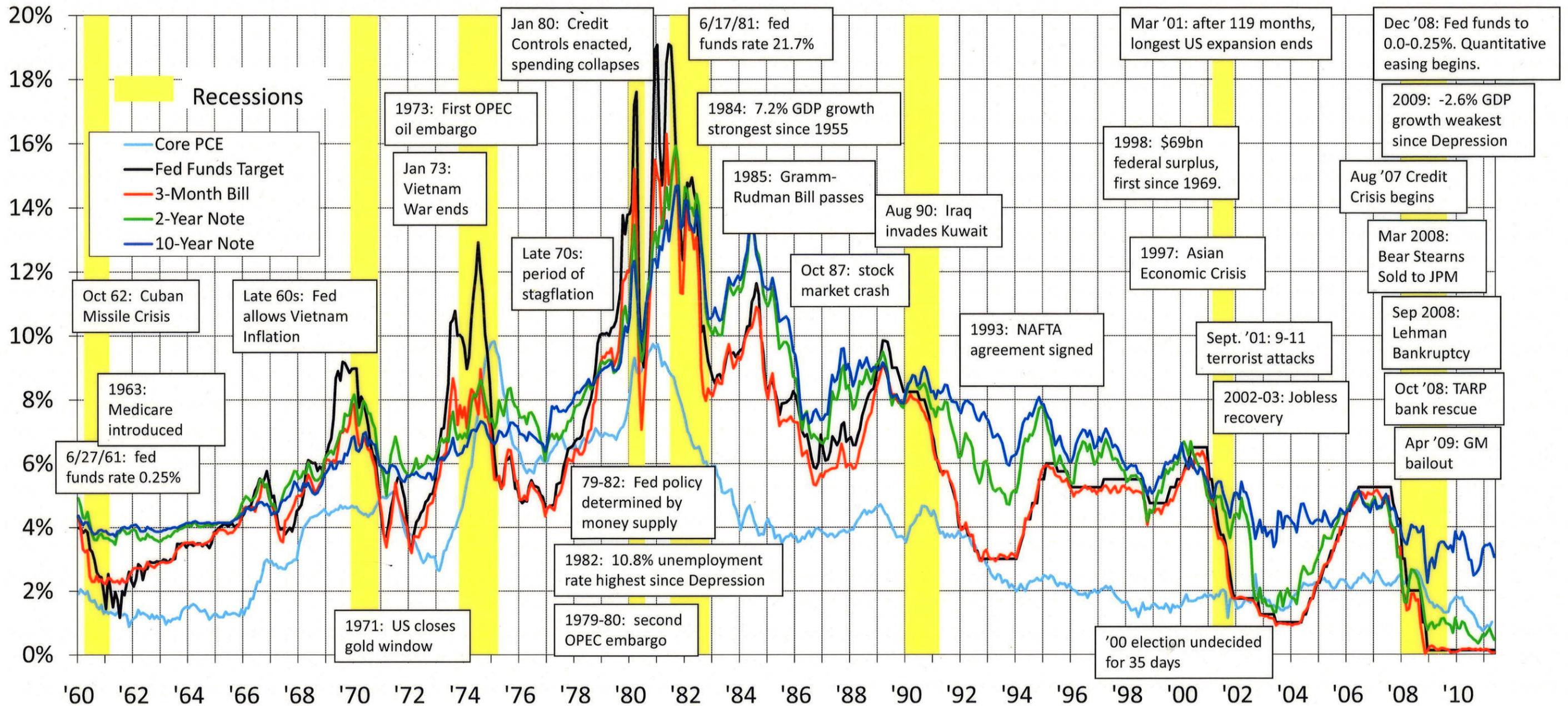
Average Balance	345,686,161	338,973,204	322,780,203	310,475,096	292,248,728	270,358,986							
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	
JAN	395,898,510	366,651,047	383,557,928	308,846,667	319,400,385	291,149,709	249,637,334	277,515,076	242,167,441	243,320,964	209,792,527	175,841,293	
FEB	371,761,391	346,755,180	346,013,133	321,322,233	327,263,571	300,056,133	256,421,507	273,059,276	247,429,994	242,843,585	214,104,219	184,701,126	
MAR	382,500,272	351,365,128	342,459,554	324,270,443	317,265,023	294,869,538	261,368,561	269,598,846	263,797,867	240,193,765	225,340,956	179,287,386	
APR	428,869,436	400,615,564	387,999,395	373,400,433	366,568,382	335,827,803	306,583,723	301,407,270	299,119,097	276,993,422	256,373,605	210,859,022	
MAY	389,857,078	354,910,070	335,217,588	350,078,352	331,056,997	300,342,908	287,995,431	288,983,398	281,532,358	255,451,142	253,661,016	198,367,723	
JUN	363,227,076	330,808,852	323,916,540	312,768,959	307,507,898	283,764,694	270,996,252	262,293,377	266,887,641	256,814,857	237,394,272	199,453,662	
JUL	339,179,619	318,728,497	314,538,955	294,041,084	277,535,542	269,543,066	262,901,604	248,233,755	243,541,358	231,981,321	223,358,294	177,317,782	
AUG	357,346,185	314,557,179	298,624,592	281,469,146	273,973,517	266,559,817	258,973,762	243,845,426	243,993,778	227,680,063	221,656,170	175,797,057	
SEP		311,740,655	295,339,266	274,542,536	276,075,437	274,638,183	255,699,651	232,350,941	239,503,273	222,591,166	225,979,350	178,225,551	
OCT		319,356,078	323,170,063	311,317,123	287,066,359	276,522,229	259,098,963	225,903,275	239,747,086	216,347,038	216,685,168	181,228,205	
NOV		347,327,894	327,523,079	333,394,173	301,264,958	282,803,456	265,306,987	232,442,564	257,892,874	214,965,526	223,133,356	185,743,003	
DEC		385,417,784	389,318,358	387,911,290	340,723,089	330,907,196	309,324,057	264,877,057	292,092,812	256,706,411	252,614,952	225,352,356	
YOY Change		-3,900,574	1,407,068	37,188,200	9,815,893	21,583,139	44,447,000	-27,215,755	35,386,401	4,091,459	27,262,596		
proof		-3,900,574	1,407,068	37,188,200	9,815,893	21,583,139	44,447,000	-27,801,780	35,242,678	3,415,280	24,015,156	45,204,522	
DEC BOND		30,153,407	63,005,454	71,624,540	52,676,296	60,750,000	55,302,135	32,144,098	44,451,886	41,497,105	14,623,918	15,061,222	
DEC TRAN		24,588,689	23,361,065	32,210,960	24,361,642	29,300,000	46,938,621	32,774,000	14,000,000	17,000,000	29,000,000	36,500,000	
JUNE BOND		47,786,376	83,891,328	81,656,678	56,476,825	53,388,556	25,511,059	41,870,396	45,576,885	44,500,000	15,651,425	17,070,096	
JUNE TRAN		23,670,724	7,107,000	7,107,000	13,946,900	21,500,000	14,100,000	14,432,431	13,344,672	23,976,958	31,504,515	26,271,102	
UL TRAN/BONDS		93,888,190	93,888,190	32,517,518	87,730,557	89,985,641	102,889,000						
INVESTED DEC		271,927,207	250,000,000	280,050,443	256,358,942	268,711,451	244,388,122	223,710,000	180,658,963	167,570,555	172,716,485	150,703,306	
% PORTFOLIO		70.554%	64.215%	72.194%	75.240%	81.204%	79.007%	84.458%	61.850%	65.277%	68.371%	66.875%	

Balance = led bal - bonds - landfill bond balance - school tran total issued - county tran total issued (tran \$\$ is still on deposit)
 Landfill bond bal = F-7570, 10117570 actual balance

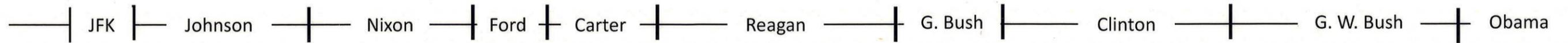
Average balance	307,903,720	291,577,889	273,824,899	256,993,591	262,810,814	239,972,471	233,619,714	191,163,175
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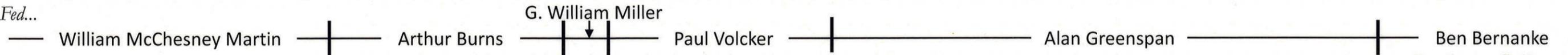
Historical Interest Rates



In the White House...



At the Fed...



FTN FINANCIAL CAPITAL MARKETS/FTN FINANCIAL SECURITIES CORP

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