



## BUTTE COUNTY TREASURY OVERSIGHT COMMITTEE

25 County Center Dr.  
Oroville, CA 95965  
Phone: (916) 538-7443  
Fax: (916) 538-7648

David A. Houser, Butte County Auditor-Controller  
Maureen Kirk, 3<sup>rd</sup> District Supervisor  
Robert Purvis, Butte County Office of Education, Board of Education  
Kevin Bultema, Superintendent of Schools' Representative  
Mark Sweany, Chico Area Recreation & Park District – Special Districts Representative

MINUTES April 8, 2008

Attending Members: Mark Sweany, Vice Chair  
Maureen Kirk  
Robert Purvis  
Kevin Bultema

Others: Linda Barnes, Treasurer-Tax Collector  
Peggy Moak, Manager-Finance & Investment, Acting Secretary  
Greg Iturria, Deputy Administrative Officer  
Andy Pickett, Deputy Administrative Officer

- 3.01 The committee reviewed and approved the minutes from the January 8, 2008 Treasury Oversight Committee Meeting. Action: Approve Consent Agenda  
M - Kirk S - Bultema Unanimously carried
- 3.02 Investment Reports for the months of December 2007, January 2008 and February 2008 were submitted and accepted for information.  
M-Kirk S-Bultema Unanimously carried (as part of motion to accept Consent Agenda)
- 4.01 Welcome to new Committee Member Kevin Bultema, Superintendent of Schools' Representative
- 4.02 Treasurer's Update: Linda Barnes provided an update and overview on current economic conditions.  
(see attached)
- 4.03 Review and discussion of recommended changes to Investment Policy. Action: Proposed Investment Policy Accepted and Authorized for submission to the Board of Supervisors for Approval.  
M-Kirk S-Purvis Unanimously carried
- 4.04 Election of Officers: Mark Sweany was nominated and unanimously elected as Chair. Bob Purvis was nominated and unanimously elected as Vice-Chair; however, Bob subsequently submitted his resignation as a Committee Member.
- 4.05 There being no public comment or new business presented, the meeting was adjourned. **The next meeting is scheduled for Tuesday, June 24, 2008**, which is outside the normal cycle to accommodate a scheduling conflict with July 8.

# BUTTE COUNTY TREASURY OVERSIGHT COMMITTEE

April 08, 2008

## Treasurer's Update

Economic News:

### US Treasury Rates

<u>As of 4-8-08</u>	<u>As of 1-7-08</u>	<u>As of 10-10-07</u>
2yr. 1.80%	2 yr. 2.75%	2 yr. 4.06%
5yr. 2.69%	5 yr. 3.16%	5 yr. 4.31%
10 yr. 3.52%	10 yr. 3.85%	10 yr. 4.61%
30 yr. 4.35%	30 yr. 4.36%	30 yr. 4.84%

- The markets have pretty much concluded that the US economy is in a recession but whether we have seen a price bottom yet for the bond and stock markets remains to be seen. If we see continued deterioration in the labor markets, most analysts will definitely characterize us as being in a recessionary economic turndown.
- After all of the substantial losses that many large financial institutions have been reporting, some market analysts are now speculating that the worst of the credit related write-downs may be behind us.

In the news:

Bank of America – Agreed to acquire Countrywide Financial Corporation in a \$4B all-stock transaction.

Washington Mutual – Close to a deal with private equity firm TPG to invest \$5B in return for stock. This move, however, will substantially dilute WAMU shareholders who have already lost 74% of their investments over the past year. The plus side is that WAMU will be able to meet all of its capital requirements.

The FED took control of \$30B in Bear Stearns collateral because they were “too big and too important to fail.”

- Lenders are working with Federal Treasury Secretary, Henry Paulson on a systemic fast track solution to help consumers nationwide with sub-prime ARM loans resetting by the end of 2009.
- The markets continue to grapple with the fact that the underlying economic/credit fundamentals, especially as they apply to US Agency guaranteed debt, do not seem to justify the panic seen in the markets.
- Sentiment growing that Fed may be close to finished with rate cuts. Possibly 25-30 points more and then their done. The thinking is that the FED needs to then give their 300+ basis point in rate reductions time to take effect.
- As of late last week, the dollar had stopped its slide and had gained a little ground against the Yen and the Euro. To most, this is indicative of the credit crisis finally affecting foreign economies too.

- The securities markets are now focusing on the proposed new regulations to overhaul the government's market oversight.
- Inflation will remain a serious concern as gas prices are predicted to surge up toward the \$4 per gallon mark. Commodity prices also continue their rise.
- With regard to municipal financings utilizing bond insurance:

Ambac - has been able to maintain a triple A (Moody's & S&P) & double A (Fitch) rating but with a negative outlook. (They have raised \$1.5B in new capital & have a freeze on writing new structured business)

MBIA – maintains the same rating as Ambac (Moody's & S&P) but Fitch claims their capital is below triple A.

BHAC (Berkshire Hathaway) – Warren Buffet's new venture to reinsure the municipal debt currently guaranteed by troubled bond insurers has not received a rating yet. (Have insured \$2B in bonds since 12/07; licensed in 31 states including Ca.)

Information Source:

CALTRUST Monthly Market Update  
S&Y Strategy Group  
S&Y Municipal Market Update  
Wall Street Journal  
Wells Fargo View



## Butte County

LAND OF NATURAL WEALTH AND BEAUTY

**C. LINDA BARNES**

**TREASURER - TAX COLLECTOR**

COUNTY ADMINISTRATIVE BUILDING  
25 COUNTY CENTER DRIVE – OROVILLE, CALIFORNIA 95965-3384  
TELEPHONE: (530) 538-7701  
FAX: (530) 538-7648

April 11, 2008

Robert Purvis  
2559 Dorado Cerro  
Chico, CA 95926

Dear Bob,

On behalf of the Treasurer's office and your fellow members of the Butte County Treasury Oversight Committee, I would like to express heartfelt appreciation for your many years of dedicated service as the Butte County Office of Education's Board of Trustee's representative to the Committee.

The Committee serves an important role for the citizens of Butte County and the participants in the County's Pooled Investment Portfolio. Your exemplary service as a longstanding member of the Committee has demonstrated your recognition of its value and your commitment to effective oversight.

Thank you, Bob, for your dedication, preparedness and professionalism. We not only benefited from your participation, we also truly enjoyed working with you. And, though we certainly regret that you are resigning from the Committee, we want to wish you the very best in your future endeavors.

Yours truly,

A handwritten signature in blue ink that reads "C. Linda Barnes".

C. Linda Barnes  
Treasurer-Tax Collector

cc: Don McNelis, Butte County Superintendent of Schools  
Maureen Kirk, Butte County Supervisor, District 3  
Dave Houser, Butte County Auditor-Controller  
Kevin Bultema, Butte County Superintendent of Schools Representative  
Mark Sweany, Special Districts' Representative  
Greg Iturria, Interim Chief Administrative Officer  
Peggy Moak, Manager-Finance & Investment  
Colleen Bottini, Supervisor, Banking and Cash Management



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April 11, 2008

Mr. Don McNelis, Superintendent  
Butte County Office of Education  
1859 Bird Street  
Oroville, CA 95965

Dear Don:

I'd like to express my appreciation for the many years that the Butte County Office of Education and the local school districts have supported the Butte County Treasury Oversight Committee. The appointment of Robert Purvis to serve as a representative of the school districts' governing boards resulted in a valued and long-standing relationship. Regrettably, after many years of exemplary service, Bob has submitted his resignation. We truly regret that Bob is resigning, and have deeply appreciated his contributions and dedication to the Committee over the years.

We are requesting that you contact local schools' governing boards to ask that they determine a replacement representative to the Committee. It would be best to have the name of the proposed representative no later than May 27, 2008, in order to submit a recommendation to the Board of Supervisors for their June 10, 2008 meeting. Hopefully, this still gives the schools' governing boards adequate time to seek out interested individuals. The next meeting of the Committee will be on June 24, 2008; the timing noted would allow the new representative to attend the meeting as a voting member of the Committee. If you do not believe this schedule is attainable, please let us know as soon as possible.

If you have any questions, or if we may be of assistance to you, please feel free to contact me at 530-538-7333, or Peggy Moak at 538-7443.

Once again, we sincerely appreciate the support and commitment of the Butte County Office of Education, and the schools you represent, to the Butte County Treasury Oversight Committee since its inception in April of 2000.

Yours truly,

A handwritten signature in blue ink that reads "C. Linda Barnes".

C. Linda Barnes  
Treasurer-Tax Collector

cc: Maureen Kirk, Butte County Supervisor, District 3  
Dave Houser, Butte County Auditor-Controller  
Kevin Bultema, Butte County Superintendent of Schools Representative  
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