



# BUTTE COUNTY INVESTMENT POOL OVERSIGHT COMMITTEE

25 County Center Dr., Ste 125  
Oroville, CA 95965  
Phone: (530) 552-3730  
Fax: (530) 538-7648

Debra Lucero, 2nd District Supervisor, Butte County Board of Supervisors Representative, Chair  
Lisa Anderson, BCOE Senior Director of Fiscal Services, Superintendent of Schools Rep., Vice Chair  
Graciela Gutierrez, Butte County Auditor-Controller  
Heather Childs, Chico Area Recreation & Park District – Special Districts Representative  
Susan Watts, OUHSD Assistant Superintendent of Business, School Districts Representative

## MINUTES – April 23, 2019

Attending Members: Debra Lucero, Chair  
Lisa Anderson, Vice Chair  
Susan Watts  
Graciela Gutierrez

Advisory Members: Troy Kidd, Treasurer-Tax Collector  
Peggy Moak, Assistant Treasurer-Tax Collector, Acting Secretary

### Consent Agenda

3.01 No action taken.

### Regular Agenda

4.01 Discussion of Apportionment Procedures and the Special Interest Apportionment (with additional information added):

History: Initiated by TTC Dick Puelicher in the first quarter of fiscal year 96/97. This was during a time when the State approved legislation mandating the schools and special districts to keep deposits in the County pooled Treasury. Prior to that time, deposits were permissible as opposed to mandated. Interest rates were high (5% - 9%) and volatile, and the county had been going through years of financial difficulty, verging on insolvency. Pool participants with large, stable balances felt that management of their funds and cash flow needs were limited, and that they should not have to absorb Treasury costs based on management of those funds.

The policy was established by the Treasurer to provide that funds having balances of \$1 Million or more with no activity, and funds having balances of \$5 Million or more with limited activity, would not be assessed Treasury costs.

Treasury costs were approximately .25%, which represented a premium of 3-10% over that earned by the “regular” funds.

In the time period of 2010-2012, there was discussion with the then current Treasurer about the lower interest rate effect on the premium paid to the special funds, but the Treasurer felt the established policy (not charging Treasury costs for large, stable balance funds) was expected, reasonable and not to be changed.

In 2014, lower portfolio yields were affecting the effective premium to the point that the large funds were earning a premium of 14-40% over that of the regular funds. This issue was brought to the Oversight Committee with a recommendation by the new Treasurer (Peggy) to **cap the premium to 10%** over that earned by the regular funds. The change was discussed by the Committee, and was individually discussed with each large fund participant. All of them agreed to the new practice, which was implemented in January of 2015.

The special apportionment process is a manual process, complex to process and difficult to explain to laymen. It requires running through the entire apportionment process twice, once without Treasury costs and then a second time subtracting out the large fund balances and the earnings they were apportioned. It requires assistance from the IS Department and the Auditor throughout the process.

An analysis of the additional earnings occurring for 3 recent quarters, shows that the dollar benefit to those funds ranges from \$8,000 - \$12,000 or better each year – more detail to come.

Proposal by Gutierrez and Lucero is to cease providing special apportionment to large funds. Offering up to one year advance notice.

Below is the precise cost to the large funds had there been no special apportionment for the most recent 4 quarters (one year), which gives us a better idea how this change could impact their budget:

\$8,206.77	County General Fund
\$3,920.09	County General Fund
\$8,842.24	County General Fund
\$1,634.38	County CSA
\$12,687.57	County General Fund (Jail Project)
\$12,657.80	County General Fund (Behavioral Health/Mental Health)
\$7,726.04	County Enterprise (Neal Road Landfill)
<u>\$7,946.65</u>	County Special Fund (Children & Family Commission)
\$63,627.54	Total for County

\$8,662.63	Schools (Special Reserve Retiree)
\$8,475.15	Schools (School Medical Prmts.)
\$5,481.08	Schools (School Prop and Liability Ins)
<u>\$6,788.46</u>	Butte College (No longer qualifying for large funds)
\$29,407.32	Total for Schools

5.00 There being no Public Comment, the meeting was adjourned at 9:08 AM.