

**Agenda Item No. 1
May 7, 2014 Meeting**

DATE: April 24, 2014

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director 

SUBJECT: Consideration of Commission Investment Policy, Delegation of Investment Authority to County Treasurer and Quarterly Investment Report

SUMMARY:

The Children and Families Commission of Orange County annually reviews the Commission's Investment Policy Statement and the delegation of the investment authority to the County Treasurer. All Commission funds are managed as part of the Orange County Investment Fund (OCIF). The Commission does not operate a separate investment program. Pursuant to California Government Code Section 53646, a Quarterly Investment Report is presented to the Commission to summarize investment activities and report on overall performance of the OCIF for the period. This item reconfirms the delegated investment authority to the Orange County Treasurer, the Children and Families Commission of Orange County Investment Policy Statement for FY 2014-15, and the Quarterly Investment Report for January – March 2014.

DISCUSSION:**Annual Delegation of Investment Authority to Commission Treasurer**

Pursuant to Government Code Section 53607, the Commission may delegate the investment authority to a designated Treasurer for a one-year period and must renew the delegation of authority each year. In May 2012 the Orange County Treasurer was first designated to serve as the Commission's Treasurer for the balance of FY 2011-12, and investment authority was delegated to the Orange County Treasurer. The delegation included the authority to manage, deposit and invest Commission funds not required for the immediate needs of the Commission. This report recommends formally reappointing the Orange County Treasurer as the Commission Treasurer and delegating authority to manage, deposit and invest Commission funds for FY 2014-15, in accordance with Government Code Section 53607.

Adoption of Investment Policy Statement

By statute, consideration of the Children and Families Commission of Orange County Investment Policy Statement is required and the simplified Investment Policy Statement for FY 2014-15 is included as Attachment 1. California Government Code contains specific provisions regarding the types of investments and practices permitted after considering the broad requirement of preserving principal and maintaining liquidity before seeking yield. The Commission as a local agency may invest only in those instruments specified by State law.

The Commission has adopted the Orange County Treasurer Investment Policy Statement in prior years, but the county policy statement is a more comprehensive and detailed document than necessary for a local government agency. The Orange County Treasurer's office has prepared a simplified policy statement for Commission consideration designed to be in compliance with State law and provide the flexibility to explore specific investments when directed by the Commission.

Quarterly Investment Report

The attached investment report summarizes Commission investment activities for the period January 1 through March 31, 2014 (Attachment 2). Beginning quarterly cash balance was \$63,062,041, and the ending cash balance was \$60,657,626. Year-to-date net yield as of March 31, 2014 is .25%. The Treasurer has revised the estimated investment administrative fees down to 7.6 basis points from the previous estimate of 8.2 basis points. Portfolio performance information, an economic update, and monthly statements are provided in the attached report. Year-to-date net yield as of March 31, 2014 is .25%.

STRATEGIC PLAN & FISCAL SUMMARY:

The recommended actions presented in this staff report have been reviewed in relation to the Commission's Strategic Plan and are consistent with all strategic goals.

PRIOR COMMISSION ACTIONS

- May 2013 - Considered the Orange County Treasurer Investment Policy Statement for 2013 and delegated annual investment authority to the Orange County Treasurer.
- May 2012 - Orange County Treasurer designated to serve as the Commission's Treasurer

RECOMMENDED ACTIONS:

1. Receive and review the Children and Families Commission of Orange County Investment Policy Statement for FY 2014-15.
2. Adopt resolution (Attachment 3) to acknowledge receipt of and consider the Children and Families Commission of Orange County Investment Policy Statement and affirm delegation of authority to the Orange County Treasurer as the Commission Treasurer to manage, deposit, and invest Commission funds, not required for the immediate needs of the Commission, for FY 2014-15.
3. Direct Commission/Orange County Treasurer to continue to report Commission investment transactions and activities in the Quarterly Investment Reports.

ATTACHMENTS:

1. Children & Families Commission of Orange County Investment Policy Statement FY 2014-15
2. Quarterly Investment Report, January – March 2014
3. Resolution

Contact: Michael Garcell

**CHILDREN & FAMILIES COMMISSION OF ORANGE COUNTY
INVESTMENT POLICY STATEMENT
FISCAL YEAR 2014/2015**

POLICY

This Statement of Investment Policy is intended to outline the policies for the prudent investment of funds for the Children & Families Commission of Orange County, hereinafter referred to as “the Commission”, to meet the short and long term cash flow needs of the Commission. In accordance with Code Section 53646, the Treasurer will annually render to the Commission a statement of investment policy and such investment policy will be annually approved by the Commission.

The investment policy and practices are based upon prudent money management principles and State laws affecting the investment of funds. The County Treasurer (Treasurer) shall invest the Commission’s funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to meet cash flow needs, and to achieve a reasonable rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

SCOPE

This policy covers all funds and investment activities under the direct control of the Commission.

PRUDENCE

Investments shall be made in the context of the “Prudent Person” standard which states that investments shall be made with judgment and care—under circumstances then prevailing—which person of prudence, discretion and intelligence exercises in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. All investments purchased shall have daily liquidity or a final stated maturity date, upon which the full principal value of the security will be received. Although the investment will mature at full principal value, it is recognized that the market values of certain securities may vary from time to time.

The Treasurer and/or authorized designees shall act in accordance with written procedures and within the intent and scope of the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported to the Commission in a timely fashion and appropriate action is taken to control adverse developments.

OBJECTIVE

The objective of the investment portfolio is to meet the short and long term cash flow demands of the Commission. To achieve this objective, the portfolio will be structured to provide Safety of Principal and Liquidity, while providing a reasonable Return on Investments.

A. Safety of Principal

Safety of principal is the foremost objective of the Commission. Investments of the Commission shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The Commission shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

1. **Credit Risk:** Credit risk, defined as the risk of loss due to failure of an issuer of a security, shall be mitigated by diversifying the investments among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal.
2. **Market Risk:** Defined as the risk of market value fluctuations due to changes in the general level of interest rates. The risk of market value fluctuations shall be reduced by monitoring cash flows and maintaining a liquid component. Also, long term investments with final maturities up to five years or less may be purchased to match cash flow needs.

B. Liquidity

The portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that all funds mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio will maintain monies to be used for current operations (over next 6 months) in funds with daily liquidity, such as the Orange County Investment Pool.

C. Return on Investment

Return on investment is of least importance compared to the safety and liquidity objectives described above. The portfolio will provide a rate of return based on the market rates of investments, at the time of purchase.

DELEGATION OF AUTHORITY:

The Commission delegates to the Treasurer the authority to invest and reinvest the funds of the Commission as specified in California Government Code Sections 53607 and 53608. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate. The Commission hereby authorizes the Treasurer and/or authorized designees, to invest the Commission's funds in accordance with California Government Code Sections 53600 and 53684, et seq. as further limited by this Investment Policy and such investment authority must be renewed annually. Adoption of this policy constitutes delegation of investment authority to the Treasurer for the following year unless revoked in writing. Within the Treasurer's office, the responsibility for the day-to-day investment of the Commission funds will be the Treasurer and/or authorized designees. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

ETHICS AND CONFLICTS OF INTEREST

The Treasurer and/or authorized designees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. All individuals involved in the investment process shall disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio and shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Commission. The Treasurer and authorized designees are required to file annual disclosure statements as required for "public officials who manage public investments" (as defined and required by the Political Reform Act and related regulations, being Government Code Sections 81000 and the Fair Political Practices Commission (FFPC)).

AUTHORIZED BROKER DEALERS AND FINANCIAL INSTITUTIONS:

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and depository services and will perform an annual review of the financial condition and require annual audited financial statements to be on file for each company. Money market mutual fund accounts are restricted to funds that are rated "AAA" by at least two nationally recognized rating agencies.

AUTHORIZED INVESTMENTS

All investments under this Investment Policy shall be made in accordance with California Government Code Section 53600 et seq. to invest in specific types of securities. Investments not specifically listed below are prohibited.

Authorized investment instruments include:

- Certificates of Deposit (insured or collateralized)
- Orange County Investment Pool
- “AAA” rated Money Market Mutual Funds
- U.S. Treasury securities
- U.S. Government Agency securities: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB), Resolution Trust Corporation (RTC), and Tennessee Valley Authority (TVA).
- Municipal Debt
 - Obligations of the State of California:
 - Local Agency Obligations: These are bonds, notes, warrants or other evidences of indebtedness of any local agency or by a department, board or authority of any local agency within California.
 - All Municipal Debt must be rated “AA” or better from at least two NRSROs.

All Money Market Mutual Funds must be AAA rated by two NRSROs, invest only in direct obligations in US Treasury bills, notes, bonds, U.S. Government Agencies and repurchase agreements with a weighted average of 60 days or less, and have a minimum of \$500 million in assets under management.

INVESTMENT POOLS:

The Treasurer will investigate all local government investment pools and money market mutual funds prior to investing and periodically thereafter. The Orange County Investment Pool (OCIP), managed by the Treasurer, is an authorized investment. The OCIP distributes a monthly report that includes the breakdown of the investment holdings, provides the maturity distribution and market value of the portfolio.

SAFEKEEPING

All security transactions entered into by the Treasurer shall be conducted on delivery-versus-payment (DVP) basis (does not apply to money market funds or investment pools). Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping statements.

PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The investment strategy will be passive and the benchmark for determining market yields will be the 6-month Treasury bill. This will be used solely as a reference tool. The comparison to a benchmark does not imply that the Treasurer will add additional risk to the portfolio in order to attain or exceed the benchmark.

DIVERSIFICATION

To reduce overall portfolio risks, the Commission may diversify its investments by security type and institution with no more than the following percentages of total assets:

- Certificates of Deposit (insured or collateralized) (30%)
- Orange County Investment Pool (100%)
- “AAA” rated Money Market Mutual Funds (20%), with each issuer limited to 10% of total assets
- U.S. Treasury securities (100%)
- U.S. Government Agency securities (100%), with each issuer limited to 30% of total assets
- Municipal Debt (20%), with each issuer limited to 5% of total assets

MAXIMUM MATURITIES

To the extent possible, the Commission will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the Commission will not invest directly in securities maturing more than three years from the date of purchase. If matched to a specific cash flow need, the maximum maturity will be five years or less.

INTERNAL CONTROL:

The external auditors shall annually review the investments with respect to the investment policy. This review will provide internal control by assuring compliance with policies and procedures for the investments that are selected for testing.

REPORTING

Under the provision of Code Section 53646, the Treasurer shall render a report to the Commission containing detailed information on all securities, investments, and monies of the Commission. The report will be provided on a quarterly basis and submitted for inclusion on a Commission Agenda within 30 days following the end of the quarter.

The report will contain the following information:

1. Type of investment, name of the issuer, date of maturity, par and cost of each investment
2. Any investments that are under the management of contracted parties

3. The market value and source of the valuation for all investments, bank accounts and Certificates of Deposits (exempt from market valuation per Government Code)
4. A description of the compliance with the statement of investment policy, exceptions, if any, and
5. A statement denoting the Commission's ability to meet its expenditure requirements for the next six months.
6. Monthly transaction detail for investments.

POLICY REVIEW

This Investment Policy will remain in effect through the year unless amended by the Commission. An Investment Policy will be rendered annually, at the beginning of each fiscal year, to the Commission.

GLOSSARY

ASKED: The price at which securities are offered. (The price at which a firm will sell a security to an investor.)

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.)

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are “delivered” to an investor’s custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together for a commission. He does not take a position.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: a). The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. b) A certificate attached to a bond evidencing interest due on a payment date.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (e.g. US Treasury Bills).

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A Federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other presidents serve on a rotating basis. The committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and about 5700 commercial banks are member of the system.

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

NEGOTIABLE CERTIFICATES OF DEPOSIT: Unsecured obligations of the financial institution, bank or savings and loan, bought at par value with the promise to pay face value plus accrued interest at maturity. They are high-grade negotiable instruments, paying a higher interest rate than regular certificates of deposit.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See “Asked” and “Bid”.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve’s most important and most flexible monetary policy tool.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called “legal list”. In other states, the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity; on a bond, the current income return.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See "Uniform Net Capital Rule".

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB), Resolution Trust Corporation (RTC), and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills: non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, which is one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Children & Families Commission of Orange County
Quarterly Investment Report
January 1, 2014 through March 31, 2014

OVERVIEW

Pursuant to the Commission's Investment Policy Statement dated May 1, 2013, the Treasurer submits this Quarterly Investment Report to the Commission. This Investment Report summarizes investment activities for the Commission for the three-month period from January 1 through March 31, 2014.

The Commission has invested 100% of its funds in the Orange County Investment Pool (OCIP). All funds are managed by the Office of the Orange County Treasurer.

Orange County Investment Pool

The primary goal of the OCIP is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return. The Commission's investment in the OCIP as of March 31, 2014 totaled \$60,657,626.

PORTFOLIO PERFORMANCE SUMMARY – QUARTERLY

The following table presents an overview of the OCIP for the months of January, February, and March 2014.

Month Ended	Commission's Month End Balance	Commission's Monthly Gross Yield	OCIP Market Value	OCIP Book Value	Average Days to Maturity
January	\$62,995,207	0.31%	\$3,175,403,567	\$3,173,882,457	387 days
February	\$61,255,074	0.37%	\$3,246,366,411	\$3,244,637,336	397 days
March	\$60,657,626	0.36%	\$3,514,819,738	\$3,514,502,036	391 days

In February, the Treasurer determined that the estimated annual investment administrative fee should be revised to 7.6 basis points, down 7% from the initial estimate of 8.2 basis points primarily due to higher than expected average balances. The year-to-date net yield as of March 31, 2014 is 0.25%.

ECONOMIC UPDATE

From January through March, the U.S. economy continued its modest economic growth. The job market added 144,000 new jobs in January, 197,000 in February, and 192,000 in March. The unemployment rate was 6.6% in January, increased to 6.7% in February, and remained at 6.7% in March, as more job seekers entered the market. According to the S&P/CaseShiller home pricing index, the housing market continued to improve as home prices increased for the twentieth consecutive month in January, up 13.24% from a year ago. The Federal Reserve met twice during the quarter and at both meetings voted to reduce its asset purchase program by \$10 billion each time. In February, it reduced the amount of monthly purchases from \$75 billion to \$65 billion, and further reduced the amount of monthly purchases from \$65 billion to \$55 billion in April.

Rates on short-term treasuries remain low as investors expect the Federal Reserve to continue its monetary policy for the near future. Rates on longer-term securities have decreased during the quarter as the U.S. economy grew at a slower than expected pace. The 10-year Treasury ended the quarter at 2.72%, down from 3.03% at the end of the previous quarter.

U.S. Treasury Yield Curve: The Treasury 3-Month, 5, 10, and 30 year yields decreased, and the 2-Year yield increased during the Quarter Ended March 31, 2014.

	Quarter Ended March 31, 2014	Quarter Ended December 31, 2013
3-Month	0.03%	0.07%
2-Year	0.42%	0.38%
5-Year	1.72%	1.74%
10-Year	2.72%	3.03%
30-Year	3.56%	3.69%

Source: Bloomberg World Markets

COMPLIANCE MONITORING

OCIP had no compliance exceptions for the three months ending March 2014. There were three reports issued during the first quarter of 2014. In January, the Auditor-Controller Report on Compliance Monitoring for the Quarter of July through September 2013 reported no compliance deficiencies. In February, the Auditor-Controller Internal Audit unit issued their Management Letter on Audit of the Statement of Assets Held by the County Treasury as of December 31, 2012. The management letter contains one significant deficiency and one control deficiency primarily related to accounting for temporary transfers and asset reporting. The County Treasurer has implemented corrective action on these recommendations. The Auditor-Controller contracted with, Macias, Gini & O'Connell (MGO) to perform one of their required audits of the County Treasury. MGO issued their Report of the Schedule of Assets Held by the County Treasury as of June 30, 2013. In their Independent Auditor's report, they opined that the Schedule of Assets Held by the County Treasury presents fairly, in all material respects, the assets held in the County Treasury as of June 30, 2013, in accordance with the basis of accounting as described in the notes to the financial statements. Included as part of this audit, they also provide an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. This report did not identify any deficiencies in internal control over financial reporting that they consider to be material weaknesses, and the results of their tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Accounting Standards*.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the County's current IPS, the County Treasurer may invest in A or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. OCIP may invest no more than 5% of pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. OCIP has a total market value of \$145 million in AA- rated County of Orange debt, which represents approximately 4.1% of assets. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

SUMMARY STATEMENTS

Attached for further information and reference is the OCIP Statement of Activity for the months of January, February, and March 2014.

- A. Statement of Activity: This Statement reports the beginning and ending balances of the Commission's funds invested in the OCIP. All deposits, withdrawals, investment earnings, and administrative fees for the reporting period are also posted. The Commission's month-end balances for January, February, and March were \$62,995,207.00, \$61,255,074.01, and \$60,657,626.29 respectively.

Attachments:

- A. Orange County Investment Pool Summary
- B. Statement of Activity for the months of January, February, and March 2014

**ORANGE COUNTY TREASURER-TAX COLLECTOR
ORANGE COUNTY INVESTMENT POOL
INVESTMENT POOL SUMMARY
AT MARCH 31, 2014**

PORTFOLIO COMPOSITION				
Security Type	Market Value	Book Value	Unrealized Gain (Loss)	% of Market Value
CERTIFICATES OF DEPOSIT	\$ 94,008,005	\$ 94,000,000	\$ 8,005	2.67%
U.S. GOVERNMENT AGENCIES	2,037,080,351	2,037,065,175	15,176	57.96%
MONEY MARKET MUTUAL FUNDS	36,026,980	36,026,980	-	1.03%
MEDIUM - TERM NOTES	165,650,671	165,406,534	244,138	4.71%
MUNICIPAL DEBT	144,945,582	144,590,951	354,631	4.12%
U.S. TREASURIES	1,037,108,149	1,037,412,396	(304,247)	29.51%
TOTAL	\$ 3,514,819,738	\$ 3,514,502,036	\$ 317,702	100.00%

CREDIT QUALITY BY MARKET VALUE

US GOV Total 87.5%
AA Total 10.3%
AAA Total 1.9%
A Total 0.3%

*US GOV Includes Agency & Treasury Debt
AA Includes AA+, AA- & AA
A Includes A+, A- & A
A-1 Includes A-1+, F-1+, P-1, A-1 & F-1*

SUMMARY OF INVESTMENT DATA							
INVESTMENT TRENDS							
	MARCH 2014	FEBRUARY 2014	INCREASE (DECREASE)	NET CHANGE %	MARCH 2013	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool (OCIP)							
End Of Month Market Value ¹	\$ 3,514,819,738	\$ 3,246,366,411	268,453,327	8.27%	\$ 3,421,265,373	\$ 93,554,365	2.73%
End Of Month Book Value	\$ 3,514,502,036	\$ 3,244,637,336	269,864,700	8.32%	\$ 3,418,888,633	\$ 95,613,403	2.80%
Monthly Average Balance	\$ 3,291,402,508	\$ 3,198,638,336	92,764,171	2.90%	\$ 3,262,737,972	\$ 28,664,536	0.88%
Year-To-Date Average Balance	\$ 3,218,954,907	\$ 3,209,898,957	9,055,950	0.28%	\$ 3,182,499,211	\$ 36,455,696	1.15%
Monthly Accrued Earnings ⁵	\$ 1,004,470	\$ 909,705	94,765	10.42%	\$ 934,859	\$ 69,611	7.45%
Monthly Net Yield ⁴	0.29%	0.30%	-0.01%	-3.76%	0.26%	0.03%	12.43%
Year-To-Date Net Yield ²	0.25%	0.25%	0.00%	0.64%	0.35%	-0.10%	-28.57%
Annual Estimated Gross Yield	0.37%	0.37%	0.00%	0.00%	0.38%	-0.01%	-2.63%
Weighted Average Maturity (WAM) ³	391	397	(6)	-1.51%	306	85	27.78%

¹ Market values provided by Bloomberg and Northern Trust.

² In March 2013, OCIP primarily held higher yielding securities, which over time have matured and were reinvested in lower yielding securities. As a result, the overall earnings and yield have dropped since March 2013.

³ In March 2014, OCIP WAMs were higher than March 2013, primarily due to investing in longer maturities as part of a program to reduce excess liquidity.

⁴ In March 2013, the OCIP Monthly Net Yield was lower due to investment in shorter term, lower yielding securities and a higher investment administrative fee primarily due to lower pool participant balances.

⁵ Monthly Accrued Earnings in OCIP were higher in March 2014 than February 2014, primarily due to higher average balances from incoming secured property tax receipts.



COUNTY OF ORANGE
OFFICE OF THE TREASURER-TAX COLLECTOR

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January 31, 2014

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION

Attn: Christina Altmayer, Executive Director
 1505 E. 17th Street, Suite 230
 Santa Ana, CA 92705

Monthly Apportionment Gross Yield: 0.313%
 Administration Fee: -0.082%
 Monthly Apportionment Net Yield: 0.231%

Fund Number : 225

JANUARY 2014 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer	Amount
01/01/14	December 2013 Admin Fee	AF		\$ (4,997.54)
01/10/14	December 2013 Interest	IN		\$ 14,985.80

Summary

Total Deposit:	\$ 2,608,909.48	Beginning Balance:	\$ 63,062,041.21
Total Withdrawal:	\$ (2,675,743.69)	Ending Balance:	\$ 62,995,207.00

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer	Amount
01/10/14	December 2013 Interest	IN		\$ (14,985.80)
02/03/14	January 2014 Interest	IN		\$ 16,823.20

Summary

Total Accrual:	\$ 16,823.20	Beginning Balance:	\$ 14,985.80
Total Payment:	\$ (14,985.80)	Ending Balance:	\$ 16,823.20



COUNTY OF ORANGE
OFFICE OF THE TREASURER-TAX COLLECTOR

Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM
P. O. BOX 4515
SANTA ANA, CA 92702-4515

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February 28, 2014

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION

Attn: Christina Altmayer, Executive Director
1505 E. 17th Street, Suite 230
Santa Ana, CA 92705

Monthly Apportionment Gross Yield: 0.371%
Administration Fee: * -0.067%
Monthly Apportionment Net Yield: 0.304%

Fund Number : 225

FEBRUARY 2014 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer	Amount
02/03/14	January 2014 Admin Fee	AF		\$ (4,411.62)
02/10/14	January 2014 Interest	IN		\$ 16,823.20

Summary

Total Deposit:	\$	6,998,418.95	Beginning Balance:	\$	62,995,207.00
Total Withdrawal:	\$	(8,738,551.94)	Ending Balance:	\$	61,255,074.01

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer	Amount
02/10/14	January 2014 Interest	IN		\$ (16,823.20)
03/03/14	February 2014 Interest	IN		\$ 18,368.51

Summary

Total Accrual:	\$	18,368.51	Beginning Balance:	\$	16,823.20
Total Payment:	\$	(16,823.20)	Ending Balance:	\$	18,368.51

* - The 2013/2014 estimated Administration fee has been reduced to 7.6 basis points due to higher than expected average pool balances. The Administration fee charged for February through June 2014 will be reduced to 6.7 basis points, resulting in an average of 7.6 basis points for fiscal year 2013/2014.



COUNTY OF ORANGE
OFFICE OF THE TREASURER-TAX COLLECTOR

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March 31, 2014

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION

Attn: Christina Altmayer, Executive Director
1505 E. 17th Street, Suite 230
Santa Ana, CA 92705

Monthly Apportionment Gross Yield: 0.358%
Administration Fee: * -0.067%
Monthly Apportionment Net Yield: 0.291%

Fund Number : 225

MARCH 2014 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer	Amount
03/03/14	February 2014 Admin Fee	AF		\$ (3,318.80)
03/12/14	February 2014 Interest	IN		\$ 18,368.51

Summary

Total Deposit:	\$ 1,502,761.43	Beginning Balance:	\$ 61,255,074.01
Total Withdrawal:	\$ (2,100,209.15)	Ending Balance:	\$ 60,657,626.29

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer	Amount
03/12/14	February 2014 Interest	IN		\$ (18,368.51)
04/01/14	March 2014 Interest	IN		\$ 18,657.11

Summary

Total Accrual:	\$ 18,657.11	Beginning Balance:	\$ 18,368.51
Total Payment:	\$ (18,368.51)	Ending Balance:	\$ 18,657.11

* - The 2013/2014 estimated Administration fee has been reduced to 7.6 basis points due to higher than expected average pool balances. The Administration fee charged for February through June 2014 will be reduced to 6.7 basis points, resulting in an average of 7.6 basis points for fiscal year 2013/2014.

CHILDREN AND FAMILIES COMMISSION ORANGE COUNTY

RESOLUTION NO. ___-14-C&FC

May 7, 2014

**A RESOLUTION OF THE CHILDREN AND FAMILIES
COMMISSION OF ORANGE COUNTY RELATIVE TO
INVESTMENT POLICY AND TREASURER FUNCTION; AND
MAKING CERTAIN FINDINGS IN CONNECTION
THEREWITH**

WHEREAS, in order to facilitate the creation and implementation of an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development, the legislature adopted legislation set forth in the California Children and Families Act of 1998, Health and Safety Code Section 130100, *et seq.* (as amended, the “Act”) implementing the Children and Families First Initiative passed by the California electorate in November, 1998 and establishing the California Children and Families Commission and County Children and Families Commissions, including this Children and Families Commission of Orange County (“Commission”); and

WHEREAS, pursuant to the Act and Article 25 of the Codified Ordinances of the County of Orange (“County Ordinance”), there is created the Children and Families Trust Fund (“Trust Fund”) of the Commission, and the Commission administers the revenues in the Trust Fund; and

WHEREAS, pursuant to the County Ordinance the Commission is empowered to enter into contracts with the County of Orange for specific staff purposes; and

WHEREAS, Commission desires to designate the Orange County Treasurer to perform all treasury related functions of the Commission pursuant to existing County Support Services Agreement and Section 4.4 of the Administrative Policy Guidelines of the Commission (as amended and approved by the Commission); and

WHEREAS, pursuant to California Government Code Section 53607 and California Government Code Section 53646(a)(2) the Treasurer of the Commission, if any, is authorized to invest or reinvest Commission funds and is directed to make monthly reports of investment transactions to the legislative body of the Commission and to annually render to the legislative body of the Commission a statement of investment policy, which the legislative body shall consider at a public meeting; and

WHEREAS, Commission has received from the Treasurer her statement of investment policy and has considered it at the public meeting at which this resolution is adopted.

NOW, THEREFORE BE IT RESOLVED BY THE COMMISSIONERS OF THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY AS FOLLOWS:

Section 1 The Commission finds and determines the foregoing Recitals are true and correct and are a substantive part of this Resolution.

Section 2 The Commission hereby designates the Orange County Treasurer as the Treasurer of the Commission. The Treasurer shall perform the duties imposed upon the office by law and Section 4.4 of the Administrative Policy Guidelines of the Commission. The Commission acknowledges receipt of and has considered its Treasurer's statement of investment policy. The Commission hereby affirms the delegation of authority to its Treasurer to invest moneys in accordance with the Orange County Investment Policy and to perform all other treasurer functions, as described in Section 4.4 of the Administrative Policy Guidelines and applicable provisions of California Government Code, including the making of periodic reports to the governing board of the Commission.

Section 3 The Commission specifically determines that excess funds, comprising all the moneys in the Trust Fund are available for investment pursuant to Government Code Section 53684. The persons at the Commission authorized to coordinate transactions are the Executive Director and Finance Director. The Commission agrees to be bound by the withdrawal provisions of California Government Code Section 27136, and the Commission acknowledges that administrative charges will be deducted as permitted by Section 53684(b) and 27013. Investments in the Orange County Investment Fund in accordance with existing Commission practice is ratified and affirmed, and the Executive Director is authorized and directed to execute any instrument required by the Investment Policy indicating an undertaking of the possible net asset value risk involved as a result of such investment.

Section 4 In addition to the authorization of Sections 2 and 3 above, the Commission Executive Director (or his designee) is hereby authorized, on behalf of the Commission, (i) to sign all documents and to take all other actions reasonably necessary and appropriate to carry out and implement the Agreement or as may be reasonably requested by its Treasurer or other County official relative to the provision of services by the County related to the treasury function, (ii) to cause the issuance of warrants, and (iii) to administer the Commission's obligations, responsibilities and duties to be performed under the Agreement.

Section 5 The Clerk of the Commission shall certify to the adoption of this Resolution.

The foregoing resolution was passed and adopted by the following vote of the Children and Families Commission of Orange County on May 7, 2014 to wit:

AYES: Commissioners: _____

NOES: Commissioner(s): _____

EXCUSED: Commissioner(s): _____

ABSTAINED: Commissioner(s) _____

CHAIR

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

I, SUSAN NOVAK, Clerk of the Commission of Orange County, California, hereby certify that a copy of this document has been delivered to the Chair of the Commission and that the above and foregoing Resolution was duly and regularly adopted by the Children and Families Commission of Orange County.

IN WITNESS WHEREOF, I have hereto set my hand and seal.

SUSAN NOVAK
Clerk of the Commission, Children and Families Commission of
Orange County, County of Orange, State of California

Resolution No: __-14-C&FC

Agenda Date: May 7, 2014

Item No. ____



I certify that the foregoing is a true and correct copy of the Resolution adopted by the

SUSAN NOVAK, Clerk of the Commission

By: _____
Deputy