



CalTRUST Board of Trustees Meeting
Wednesday, April 25, 2012
The Clement Intercontinental Hotel, Monterey, CA

MINUTES

The meeting was called to order by President Lomeli at 8:00 a.m.

1. **Roll Call**

- Charles Lomeli (**President**), Treasurer-Tax Collector-Clerk, Solano County
- Glenn Duncan (**Vice President**), Council Member, City of Chino
- Dave Ciapponi (**Secretary**) Assistant General Manager, Westlands Water District
- Dan McAllister (**Treasurer**), Treasurer-Tax Collector, San Diego County
- John Colville, Chief Investment Officer, City of Sacramento
- Rod Dole, Public Member
- Don Kent, Treasurer-Tax Collector, Riverside County
- Russell "Rusty" Watts, Treasurer-Tax Collector, Contra Costa County
- Mary Zeeb, Treasurer-Tax Collector, Monterey County

- Nancy Parrish, *Executive Director*
- Steven Woodside, *Legal Counsel*

Other Attendees:

- | | |
|-------------------------|--|
| Mike Bird | Wells Capital Management (via conference call) |
| Laura Labanieh Campbell | CSAC Finance Corporation |
| Erin Carthen | Wells Capital Management (via conference call) |
| Lyle Defenbaugh | Wells Capital Management |
| Dan Harrison | League of California Cities |
| Cathrine Lemaire | California Special Districts Association |
| Kip Meadows | Nottingham Investment Administration |
| Tony Melville | Wells Capital Management |
| Mike Rodgers | Wells Capital Management |
| Jeff Weaver | Wells Capital Management |

2. **Welcome and Introductions**

President Lomeli welcomed everyone. Trustee Ciapponi announced that, although he will continue serving as Secretary and Treasurer of the Westlands Water District, he will soon begin working for the Broadview Water District.

3. **Consider Minutes of the Previous Board Meetings**

The Board unanimously approved the CalTRUST Board of Trustees Fall Meeting minutes of September 14, 2011 with typos corrected in section 6 (sensitivity -> sensitivity), section 9 (wirting -> wiring and LIPOR -> LIBOR), and section 10 (remove work duplication).

Motion: D. McAllister
Second: G. Duncan

The Board unanimously approved the CalTRUST Board of Trustees Teleconference Meeting minutes of October 31, 2011.

Motion: D. McAllister
Second: D. Ciapponi

4. **Elect Board of Trustees and Officers and Adopt Resolution to Conduct Business/Delegation of Duties for FY 2012-2013**

The Board elected the following individuals to become voting members of the CalTRUST Board of Trustees for FY 2012-2013:

Dave Ciapponi	Westlands Water District
John Colville	City of Sacramento
Rod Dole	Public
Glenn Duncan	City of Chino
Don Kent	Riverside County
Chuck Lomeli	Solano County
Dan McAllister	San Diego County
Rusty Watts	Contra Costa County
Mary Zeeb	Monterey County

Motion: D. Ciapponi
Second: R. Watts

The Board appointed the following Secretary and Treasurer for FY 2012-13:

Dave Ciapponi	Secretary
Dan McAllister	Treasurer

Motion: C. Lomeli
Second: G. Duncan

The Board appointed the following President and Vice President for FY 2012-13:

Chuck Lomeli	President
Glenn Duncan	Vice President

Motion: D. Ciapponi
Second: D. Kent

The Board adopted the Resolution to Conduct Business/Delegation of Duties for FY 2012-13.

Motion: G. Duncan
Second: D. Ciapponi

5. **Appoint Audit Committee**

The CalTRUST Audit Committee previously included Trustees Lomeli, Duncan, Watts, and Ciapponi. The Board appointed Trustees Lomeli, Dole, and McAllister to the Audit Committee for FY 2012-13.

Motion: D. Ciapponi
Second: D. Kent

6. **Nottingham Investment Administration Update**

Kip Meadows reported that from Nottingham's perspective the custodial services transition to Wells Fargo has gone well. During the past 12 months, the MMF has seen \$380mm outflow with 428

transactions. The short-term fund has had 320 transactions for a net inflow of \$215mm and the medium-term fund has had 109 transactions for a net inflow of \$140mm.

Nottingham now has \$100B in assets under administration. They will be changing their fund accounting software to Syncorp.

Meadows informed the Board that he has been approached by the State Treasurer of Mississippi to set up a local investment pool and there could be a possibility to partner with them through CalTRUST. The Board appointed an ad hoc committee to consider how bringing in an out-of-state partner could be structured and report back at the Fall Board Meeting. The ad hoc committee includes Trustees Duncan, Kent, and Lomeli.

7. Wells Fargo Custodial Services Update

Nancy Parrish reported that the transition of custodial services was more onerous than expected. The transition was completed and effected March 26th and there were no transaction problems.

8. Investment, Market & Portfolio Strategy Update & Review

Mike Rodgers, Jeff Weaver and Tony Melville from Wells Capital Management presented the Investment Review of the short-term and medium-term portfolios. The short-term portfolio has a market value of \$606 million with an average credit quality of AA/Aa2/AA. The short-term account has competitive returns to LAIF with a modest yield return over LAIF. At the request of the Board from the September 2011 meeting, alternative benchmarks to LAIF were presented. The Board unanimously approved expanding the Short-term benchmark to include, in addition to LAIF, the Barclays Short-Term U.S. Government/Corporate Index.

Motion: D. McAllister

Second: R. Dole

The medium-term portfolio has a market value of \$373 million, with the average credit quality of AA/Aa2/AA. The medium-term account is only measured on total return and not yield since it is a longer portfolio. The duration is about 1.5-2 years short of the benchmark and is expected to stay short.

Mike Bird reported that the Money Market Fund's strategy is largely driven by European headlines. The last two quarters, there have been no European credits in the MMF. The MMF has lost some market share to low yield as it values liquidity preservation over yield.

Stress testing on both the short- and medium-term accounts was positive showing that the net asset value (NAV) will remain stable if rates change.

9. CalTRUST Stakeholders' Meeting Update

Laura Labanieh Campbell reported that the inaugural CalTRUST Stakeholders' Meeting had been cancelled due to low registration. Instead of trying to schedule another meeting, the focus will turn to creating a series of hour-long webinars. Trustee McAllister also requested that staff consider holding break-out sessions or receptions at the CSAC, League, and CSDA conferences.

10. Client Update & Marketing

President Lomeli reported that staff of Wells Capital Management and CSAC Finance Corporation have begun holding regular meetings to target growth opportunities. Lyle Defenbaugh reported that the dissolution of redevelopment agencies was an opportunity for CalTRUST with \$150-\$170mm worth of redevelopment funds being moved into CalTRUST. Current assets are broken down as 42% from cities, 27% from special districts, 26% from counties, and 4% from public non-profits. Over time, cities and special districts are expected to make up a majority of the portfolio as they have more limited investment resources. By fund, the assets were broken down as 2% in the money market fund, 61% in the short-term account and 37% in the

medium-term account. There are currently 131 participant accounts. The goal for year-end is 140 participant accounts and \$1.2B.

Trustee McAllister suggested that talking points on CalTRUST be provided to the Board and that a letter from the Board be signed by some of the Trustees and distributed to counties. Kip Meadows reported that some participants have requested daily dividend reports and those are being added to the website.

11. Consider JPA Amendment regarding Treasurer Bond Requirement

Laura Labanieh Campbell reported that as staff and legal counsel considered the \$10 million bond requirement for the Treasurer in the CalTRUST Joint Powers Agreement (JPA) it was found that the actual government code referenced does not have any bond requirement. Steven Woodside explained that when CalTRUST was first created the uncertainty of the program allowed for the Treasurer to take a greater role if need be but the structure evolved so it was not necessary. Mr. Woodside noted that, with the investment management and custodial contracts in place, the Treasurer has no physical control of any CalTRUST assets. The Board unanimously adopted the following language to replace Section 3.2 of the Investment Trust of California Joint Powers Agreement:

Section 3.2 Treasurer. The Board shall appoint one or more of its officers or employees to serve as treasurer, auditor and controller of CalTRUST (the "Treasurer") pursuant to Section 6505.6 of the Act. Except for moneys held by any custodian or depository in connection with the Shares Program and except as may otherwise be specified by resolution of the Board, the Treasurer of CalTRUST shall be responsible for safekeeping and disbursement of CalTRUST assets, and, as such, shall have the powers, duties and responsibilities specified in Sections 6505, 6505.5 and 6509.5 of the Act.

Motion: D. McAllister

Second: R. Watts

12. Review and Consider CalTRUST Documents

The Board adopted the Information Statement with the following changes:

- Addition of Barclays Capital Short-Term U.S. Government/Corporate Index as second benchmark for the short-term account; and
- Deletion of all references to Union Bank

Motion: D. Ciapponi

Second: G. Duncan

The Board directed staff to seek approval from CalTRUST participants as outlined in the CalTRUST JPA to amend the Investment Policy with the following revisions:

- **Section C.** Updating the medium-term fund benchmark to the Merrill Lynch and U.S. Corporate & Government 1-3 Years, based on Board action at the September 14, 2011 meeting;
- **Section C.** Adding the Barclays Short-Term U.S. Government/Corporate Index as second benchmark for the short-term account;
- **Section F.** Grammatical correction;
- **Section F.** Inserting authorized investments section consistent with current language of California Government Code Section 53601;
- **Section F.** Inserting language to allow for a federally-licensed branch of a foreign bank as opposed to only state-licensed;
- **Section F.** Updating language from reference to legislative body of any Participant to CalTRUST Board of Trustees as they are the governing body;
- **Section F.** Updating references from California Government Code Section 53601(i) to 53601(j) as appropriate

Motion: G. Duncan

Second: D. Kent

Trustee Ciapponi requested that as part of the annual meeting a legislative update of any changes made to government codes 53601, 53635, and any others that might affect CalTRUST, be presented.

13. Consider CalTRUST Policies and Procedures

Nancy Parrish reported to the Board new internal policies and procedures regarding contract review and length, document review, and disaster recovery. Service contracts will not be held for a period greater than 5 years and all CalTRUST documents will be reviewed annually by the Board of Trustees. President Lomeli suggested that a piece be included in the monthly newsletter regarding disaster contingencies.

14. Update on Proposals for CalTRUST Fund Accounting Services

Laura Labanieh Campbell reported that proposals for CalTRUST Fund Accounting Services had been received from 5 companies and that the ad hoc committee has met twice via teleconference to discuss. Since it is not practical that a change could be made by the start of the new fiscal year, if one were to be recommended, the ad hoc committee will be conducting further review and due diligence and will come back to the Board of Trustees, either at or before the September meeting, with a recommendation.

15. Report on CalTRUST FPPC Reporting Procedures

Nancy Parrish provided the contact number for the FPPC advice line and suggested that the Board contact it directly with any questions, since its staff is the most qualified to give out. Trustee Ciapponi asked that CalTRUST put together an annual filing packet with pertinent information and provide to Trustees. Parrish will review and see what information has previously been sent and make sure that Trustees have the necessary information. Staff will also explore if CalTRUST is obligated to have a conflict of interest code.

Trustee Kent asked that trustees be alerted if they are close to exceeding the maximum gift limit. Staff will research what the gift limits and reporting requirements are and report back to the Board.

Trustee McAllister suggested that a joint meeting of the CalTRUST and CSAC Finance Corporation boards be held and a representative of the FPPC be brought in to address its requirements and answer any questions.

16. Profit / Loss Statement

Nancy Parrish reviewed the CalTRUST profit/loss statement, noting that moving forward the custodial services fees will be \$0. The term of the Standard & Poor's contract was questioned as they have been raising rates.

17. Future Meetings

Laura Labanieh Campbell reported on future meeting dates and locations which are as follows:

- CalTRUST Fall Meeting – September 12, 2012 – La Valencia Hotel, La Jolla, CA
- CalTRUST Annual Meeting – April 24, 2013 – Fairmont Sonoma Mission Inn, Sonoma, CA
- CalTRUST Fall Meeting – September 11, 2013 – La Valencia Hotel, La Jolla, CA

18. Other Business

There was no other business.

19. Public Comment

There were no public comments.

20. Adjourn

The meeting was adjourned at 11:32 a.m.