



**CalTRUST Board of Trustees Meeting**

**Wednesday, April 27, 2011  
La Playa Hotel, Carmel, CA**

**MINUTES**

The meeting was called to order by President Lomeli at 8:02 a.m.

**1. Roll Call**

- Lomeli, Charles, (**President**), Treasurer-Tax Collector-Clerk, Solano County
- Duncan, Glenn (**Vice President**), Council Member, City of Chino (via conference call)
- Ciapponi, Dave, Assistant General Manger, Westlands Water District
- Colville, John, Chief Investment Officer, City of Sacramento
- Dole, Rod, Treasurer-Tax Collector/Auditor-Controller, Sonoma County
- Kent, Don, Treasurer-Tax Collector, Riverside County (via conference call)
- McAllister, Dan, Treasurer-Tax Collector, San Diego County
  
- Tom Sweet, *Executive Director*
- Steven Woodside, *Legal Counsel*
- Chris Feusahrens, *Secretary*

**Other Attendees:**

- |                    |  |
|--------------------|--|
| Averett, Richard   | Regional & Local Government Services Authorities           |
| Biery, Bob         | City of Westlake Village                                   |
| Carthen, Erin      | Wells Capital Management (via conference call)             |
| Defenbaugh, Lyle   | Wells Capital Management                                   |
| Di Nicola, Daren   | Union Bank   |
| Edwards, Jason     | Nottingham Investment Administration (via conference call) |
| Ford, Tom          | Past-President, CSAC Finance Corporation                   |
| Gibson, Dennis     | San Diego County   |
| Gray, Joni         | Santa Barbara County, CSAC Finance Corporation             |
| Harrison, Dan      | League of California Cities                                |
| Harris, Lisa Marie | San Diego County (via conference call)                     |
| Labanieh, Laura    | CSAC Finance Corporation                                   |
| Meadows, Kip       | Nottingham Investment Administration                       |
| Melville, Tony     | Wells Capital Management                                   |
| Moreno, Robert     | Salinas Valley Solid Waste Authority                       |
| Oropeza, Kelli     | California State Association of Counties                   |
| Rodgers, Mike      | Wells Capital Management                                   |
| Watts, Russell     | Contra Costa County  |
| Weaver, Jeff       | Wells Capital Management                                   |
| Zeeb, Mary         | Monterey County  |

**2. Welcome and Introductions**

President Lomeli welcomed everyone. A brief moment of silence was held in honor of Richard Winnie, as a tribute to his memory of dedication to our board. Steven Woodside was introduced as the new CalTRUST legal counsel.

3. **Approve Minutes of the Fall Meeting of the Board of Trustees from September 15, 2010**  
The Board approved the CalTRUST Board of Trustees Fall Meeting minutes of September 15, 2010.

**Motion: D. McAllister**

**Second: R. Dole**

**TeleConference Roll-Call Vote :**    **G. Duncan**        **aye**  
  **D. Kent**            **aye**

4. **Elect Board of Trustees and Officers and Adopt Resolution to Conduct Business/Delegation of Duties for FY 2011-2012**

President Lomeli introduced Russell Watts as the newly elected Treasurer-Tax Collector of Contra Costa County. The Board elected the following individuals to become voting members of the CalTRUST Board of Trustees for FY 2011-2012:

Dave Ciapponi	Westlands Water District
John Colville	City of Sacramento
Rod Dole	Sonoma County
Glenn Duncan	City of Chino
Don Kent	Riverside County
Charles Lomeli	Solano County
Dan McAllister	San Diego County
Russell Watts	Contra Costa County

**Motion: D. Ciapponi**

**Second: D. McAllister**

**TeleConference Roll-Call Vote :**    **G. Duncan**        **aye**  
  **D. Kent**            **aye**

The Board appointed the following slate of officers for FY 2011-12:

Charles Lomeli	<b>President</b>
Glenn Duncan	<b>Vice President</b>
Dave Ciapponi	<b>Treasurer</b>
Chris Feusahrens	<b>Secretary</b>

**Motion: D. McAllister**

**Second: R. Watts**

**TeleConference Roll-Call Vote :**    **G. Duncan**        **aye**  
  **D. Kent**            **aye**

The Board adopted the Resolution to Conduct Business/Delegation of Duties for FY 2011-12.

**Motion: D. McAllister**

**Second: R. Dole**

**TeleConference Roll-Call Vote :**    **G. Duncan**        **aye**  
  **D. Kent**            **aye**

5. **Appoint Audit Committee**

The CalTRUST Audit Committee previously included Charles Lomeli and former Trustee Bill Pollacek. The Board appointed Charles Lomeli, Glenn Duncan, and Russell Watts to the Audit Committee.

**Motion: R. Dole**

**Second: D. McAllister**

**TeleConference Roll-Call Vote :**    **G. Duncan**        **aye**  
  **D. Kent**            **aye**

**6. Update on the CSAC Finance Corporation Executive Director Recruitment**

President Lomeli updated the Board that recruitment for the CSAC Finance Corporation Executive Director position is currently underway. There were 20 initial candidates initially from six have been selected to interview with the CSAC Finance Corporation Board on May 13, 2011.

**7. 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 \$394 million with an average credit quality of Aa1. The short-term account has competitive returns to LAIF with a modest yield return over LAIF.

The medium-term portfolio has a market value of \$239 million, with the average credit quality of Aa1. The team advised that they prefer the 3 yr – 5 yr exposure taking advantage of the steepness of the yield curve. Dan McAllister inquired as to the effect of the recent legal actions against MetLife in California. The Wells Capital Management team will research and report back.

President Lomeli raised a concern over ensuring that participants have their funds in the correct accounts for their goals and informed the Board that he and Lyle Defenbaugh plan to reach out to all participants in Q2 for clarification of their goals and account usage.

**8. Nottingham Investment Administration Update**

Staff advised that there have been three notable issues with MMF transactions over the last nine months. Kip Meadows identified one cause of the trade issues as a discrepancy in cut-off times between the MMF prospectus and Union Bank. As the transfer agent for CalTRUST, Nottingham is looking at ways to better streamline future trades and automate the MMF trades to remove Union Bank from the process. Dan McAllister suggested that we need to better educate our users on the online system and pre-planning trades. Inadequate communication as to early market closures was also identified as a contributing factor to the trade problems that have occurred. Laura Labanieh suggested we could clarify early market closure dates with our participants by creating a calendar section in the CalTRUST newsletter. Members agreed that this would be the best step in communicating with our participants.

The Board asked Meadows to discuss Nottingham's disaster recovery plan in light of the recent news of all the tornado/storm weather occurring in the southern states. Nottingham can provide a copy of their disaster procedure plan; SAS 70 \*, they have a back-up site for data in Raleigh (hot site) with a remote site in Boston/Luxemburg. These sites are tested once a year.

**\*SAS 70**

Statement on Auditing Standards (SAS) No. 70, Service Organizations, is a widely recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). A service auditor's examination performed in accordance with SAS No. 70 (also commonly referred to as a "SAS 70 Audit") is widely recognized, because it represents that a service organization has been through an in-depth audit of their control objectives and control activities, which often include controls over information technology and related processes. **In today's global economy, service organizations or service providers must demonstrate that they have adequate controls and safeguards when they host or process data belonging to their customers.** In addition, the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 make SAS 70 audit reports even more important to the process of reporting on the effectiveness of internal control over financial reporting.

**9. Union Bank Update**

Daren Di Nicola assured the Board that they have clarified with Union Bank staff cut-off times for CalTRUST transactions in order to avoid future trade issues. An overview of institutional custody services was provided in the agenda.

**10. CalTRUST Education Program**

The Board has made available \$5,000 for various organizations to apply for funds to promote education for individuals in the area of public funds investment. President Lomeli and Tom Sweet presented suggested guidelines for use of the available funds including that an attempt should be made to distribute funds in an

