



CalTRUST Board of Trustees Meeting

**September 12, 2012
La Valencia, La Jolla, CA**

MINUTES

The meeting was called to order by President Lomeli at 8:04 a.m.

1. Roll Call

- Charles Lomeli (**President**), Solano County
- Glenn Duncan (**Vice President**), City of Chino
- Dave Ciapponi (**Secretary**), Westlands Water District
- Dan McAllister (**Treasurer**), San Diego County
- John Colville, City of Sacramento
- Rod Dole, Public Member
- Don Kent, Riverside County
- Russell "Rusty" Watts, Contra Costa County (via teleconference)
- Mary Zeeb, Monterey County

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

Other Attendees:

- | | |
|-------------------------|--|
| Kathleen Barnes | Wells Capital Management |
| Mike Bird | Wells Capital Management (via conference call) |
| Robert Bendorf | Yuba County, CSAC Finance Corporation |
| Laura Labanieh Campbell | CSAC Finance Corporation |
| Antoinette Chandler | San Diego County |
| Lyle Defenbaugh | Wells Capital Management |
| Dennis Gibson | San Diego County |
| Joni Gray | Santa Barbara County, CSAC Finance Corporation |
| Dan Harrison | League of California Cities |
| Mike Johnson | CSAC Finance Corporation |
| Geoffrey Kiehl | City of Palm Springs |
| Tracey Lovely | City of Richmond |
| Kip Meadows | Nottingham Investment Administration |
| Tony Melville | Wells Capital Management |
| Mike Rodgers | Wells Capital Management |
| Mark Saladino | Los Angeles County, CSAC Finance Corporation |
| Rick Wood | California Special Districts Association |

2. Welcome and Introductions

President Lomeli welcomed everyone and self-introductions ensued.

3. Consider the Minutes from the Annual Meeting of April 25, 2012

The Board approved the Minutes from the CalTRUST Board of Trustees Annual Meeting of April 25, 2012.

Motion: G. Duncan
Second: D. McAllister

Roll-Call Vote:

C. Lomeli	<u>aye</u>
G. Duncan	<u>aye</u>
D. McAllister	<u>aye</u>
D. Ciapponi	<u>aye</u>
J. Colville	<u>aye</u>
R. Dole	<u>absent</u>
D. Kent	<u>aye</u>
R. Watts	<u>aye</u>
M. Zeeb	<u>absent</u>

4. Consider Appointment of Geoffrey Kiehl to the Board of Trustees

The Board appointed Geoffrey Kiehl to serve on the CalTRUST Board of Trustees; effective immediately. Kiehl is the Director of Finance and Treasurer for the City of Palm Springs.

Motion: G. Duncan
Second: D. Kent

Roll-Call Vote:

C. Lomeli	<u>aye</u>
G. Duncan	<u>aye</u>
D. McAllister	<u>aye</u>
D. Ciapponi	<u>aye</u>
J. Colville	<u>aye</u>
R. Dole	<u>absent</u>
D. Kent	<u>aye</u>
R. Watts	<u>aye</u>
M. Zeeb	<u>absent</u>

5. Consider Policy for Board of Trustees Membership

The Board adopted the following policy for Board of Trustees Membership:

In order to maintain maximum flexibility and continue to include a diverse membership that is representative of large, medium and small entities from all forms of local government, the following requirements will be considered for membership on the CalTRUST Board of Trustees:

- *Active participation in the program as an investor by the individual's local agency, as a portion of the agency's overall portfolio;*
- *Demonstrated working knowledge (e.g., experience, professional training, involvement, etc.) of the fixed-income securities market;*
- *Experience and familiarity with California statutes (including limitations and restrictions) governing the investment of local agency assets;*
- *History of active involvement and networking with relevant governmental associations, such as the CMTA, CACTTC, League of Cities, CSAC, ACWA, CSMFO, regional councils of government, etc.;*

- *Willingness and capacity to inform and educate other local government leaders and officials about CalTRUST.*

Dave Ciapponi suggested that an ad hoc committee be formed to review future board applicants before they are brought before the full Board for consideration. This idea was met with favor and President Lomeli will form an ad hoc committee before any further applicants are brought to the Board.

Motion: D. Ciapponi
Second: D. McAllister

Roll-Call Vote:

C. Lomeli	<u>aye</u>
G. Duncan	<u>aye</u>
D. McAllister	<u>aye</u>
D. Ciapponi	<u>aye</u>
J. Colville	<u>aye</u>
R. Dole	<u>absent</u>
D. Kent	<u>aye</u>
R. Watts	<u>aye</u>
M. Zeeb	<u>absent</u>

6. Consider Amendment to the CalTRUST Joint Powers Agreement

The Board adopted Resolution No. 2012-3; amending Section 3.2 of the CalTRUST Joint Powers Agreement (JPA) to add the following language defining the role of the President and Secretary (the Treasurer role was previously included):

Section 3.2 Definition of Officers

a) **President.** *The President shall preside at all meetings of the Board of Trustees and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Trustees or be prescribed by the Joint Powers Agreement.*

The President shall also be the chief corporate officer of CalTRUST and shall subject to the control of the Board of Trustees, have general supervision, direction and control of the business and officers of CalTRUST. He shall be ex-officio member of all standing committees, and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Trustees or by this Joint Powers Agreement.

b) **Secretary.** *The Secretary shall keep or cause to be kept a book of minutes at the principal office or at such other place as the Board of Trustees may order, of all meetings of the Trustees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings and the proceedings thereof. The Secretary shall give or cause to be given notice of all meetings of the Board of Trustees, shall keep CalTRUST records in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Trustees or this Joint Powers Amendment.*

c) **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.

Laura Labanieh Campbell noted that at the next CalTRUST Board of Trustees Annual Meeting language defining the role of a Vice President will be presented for consideration. Vice President language was not included at this point as currently the JPA does not require that there be a Vice President.

Motion: D. McAllister

Second: D. Kent

Roll-Call Vote:

C. Lomeli	<u>aye</u>
G. Duncan	<u>aye</u>
D. McAllister	<u>aye</u>
D. Ciapponi	<u>aye</u>
J. Colville	<u>aye</u>
R. Dole	<u>absent</u>
D. Kent	<u>aye</u>
R. Watts	<u>aye</u>
M. Zeeb	<u>absent</u>

7. Consider Adoption of a Conflict of Interest Code

The Board adopted the Conflict of Interest Code as presented. This code is more narrowly focused than the Fair Political Practices Commission standard code to focus on the context of CalTRUST. Pursuant to this Code all Trustees will be required to file a statement of economic interest and forward a copy to the CSAC Finance Corporation, the CalTRUST Administrator.

Motion: G. Duncan

Second: D. Ciapponi

Roll-Call Vote:

C. Lomeli	<u>Aye</u>
G. Duncan	<u>Aye</u>
D. McAllister	<u>Aye</u>
D. Ciapponi	<u>Aye</u>
J. Colville	<u>Aye</u>
R. Dole	<u>absent</u>
D. Kent	<u>Aye</u>
R. Watts	<u>Aye</u>
M. Zeeb	<u>absent</u>

8. FPPC Reporting Procedures Update

Nancy Parrish reported that the CalTRUST Administrator tracks the value of direct reimbursements and gifts which are reported annually to each public agency official. Amounts reimbursed directly to a public agency are not included. Each public agency official should check with their agency's counsel to determine proper FPPC reporting.

9. Nottingham Investment Administration Update

Kip Meadows reported that the custodial change went well from Nottingham's perspective, with only a minor issue, that being a redemption request that went through while the assets were being transferred between custodians. Nottingham is in the process of implementing a new shareholder

recordkeeping system that will provide additional web reporting and automated transaction capabilities.

Chuck Lomeli reported that he, Laura Labanieh Campbell, Mike Rodgers, and Lyle Defenbaugh completed the annual due diligence trip to the Nottingham headquarters in August. Items covered during the due diligence trip included the custodian transition, disaster recovery, transaction processing issues, participant records, and a reintroduction to the Nottingham staff currently assigned to CalTRUST.

10. Investment Update and 2012-13 Strategy

Mike Rodgers and Tony Melville from Wells Capital Management provided an overview of the market and the CalTRUST portfolios. The Short-Term portfolio is achieving a competitive return versus both the Local Agency Investment Fund (LAIF) and the Barclays Short-Term Gov/Corp Index. The Short-Term portfolio has outperformed LAIF by 9 bps over 6 months and Barclays by 11 bps over 6 months.

The Medium-Term portfolio is also now outperforming its benchmark, the Merrill Lynch U.S. Corporate & Government 1-3 Years. It has outperformed by 8 bps over the last 6 months and 10 bps over the last year.

Highlights of the current strategy include:

- Driving the duration target in the Short-Term portfolio by ensuring sufficient liquidity while providing a competitive yield against the benchmarks;
- Maintaining duration at a defensive 0.15-0.20 years short of the benchmark as rates across the curve remain at historical lows and risk remains skewed to an eventual rise in yields;
- Favoring Corporate bonds with a bias and caution to reduce risk; and
- Favoring other sectors of the market including consumer ABS, CMBS and Municipals.

Mike Bird of Wells Capital Management provided an overview of the Heritage Money Market Fund. As of August 31, 2012, there was \$25 Billion in the Heritage Money Market Fund.

11. Client Update & Marketing

Lyle Defenbaugh from Wells Capital Management reviewed the total assets in the program as of mid-August 2012 at \$1.17 Billion versus April 2012 at \$994 million. Current assets are split 45% cities, 28% counties, 23% special districts, 3% public non-profits, and 1% higher education. The number of participant accounts has grown from 125 in January to 146 presently. The new year-end goal is 150 participant accounts and \$1.3 Billion in assets.

Defenbaugh concluded his update by presenting the list of target agencies and those who are currently participants but should be targeted for greater participation.

Dan McAllister reported that he, along with other CalTRUST Trustees, would be doing a panel on CalTRUST at the California Special Districts Association Annual Conference later in the month.

12. CalTRUST Webinar Update

Laura Labanieh Campbell reported that the CalTRUST Education Program will kick-off with a webinar on November 1st focused around the topic of net asset value and the concept of total return. Mike Rodgers will be conducting the webinar. Advertising for the webinar will begin in the next couple of weeks. The goal is for the webinar to be the first in a series of educational webinars conducted by CalTRUST.

13. Consider Audited Financial Statements for 2011-12 Fiscal Year

Dan McAllister presented the audited financial statements for the 2011-12 Fiscal Year. He reported that the auditor issued an unqualified opinion on the CalTRUST financial statements and that there was no knowledge of fraud. The Board accepted the audited financial statements for Fiscal Year 2011-12.

Motion: D. McAllister

Second: G. Duncan

Roll-Call Vote:

<i>C. Lomeli</i>	<u><i>aye</i></u>
<i>G. Duncan</i>	<u><i>aye</i></u>
<i>D. McAllister</i>	<u><i>aye</i></u>
<i>D. Ciapponi</i>	<u><i>aye</i></u>
<i>J. Colville</i>	<u><i>aye</i></u>
<i>R. Dole</i>	<u><i>absent</i></u>
<i>D. Kent</i>	<u><i>aye</i></u>
<i>R. Watts</i>	<u><i>aye</i></u>
<i>M. Zeeb</i>	<u><i>absent</i></u>

14. Profit / Loss Statement Update

Nancy Parrish reviewed the CalTRUST profit/loss statement and noted that CalTRUST is beginning to realize greater net income as there are no longer Union Bank custodial fees.

15. Future Meetings

Laura Labanieh Campbell presented the future meetings calendar:

- 2013 Annual Meeting – April 24 – Sonoma Mission Inn
- 2013 Fall Meeting – September 11 – Biltmore Santa Barbara

16. Public Comment

There was no public comment.

17. Adjourn

The meeting was adjourned at 11:04 a.m.