



# Monterey County Office of Education

Leadership, Support, and Service to Prepare All Students for Success

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Dr. Nancy Kotowski  
County Superintendent of Schools

February 11, 2009

TO: Monterey County Chief Business Officials  
FROM: Garry P. Bousum, Associate Superintendent  
Administration and Business Services  
SUBJECT: Quarterly Treasurer's Report

A handwritten signature in black ink, appearing to read "Garry P. Bousum".

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Enclosed is a copy of the Monterey County Treasurer's investment report for the quarter ending December 31, 2008. This report has been submitted to the Monterey County Board of Supervisors, reviewed by the Monterey County Treasury Oversight Committee, and distributed to all agencies participating in the Treasurer's investment pool.

This report should be helpful to districts in complying with Government Code 53646, requiring that District Chief Fiscal Officers render a quarterly report to their Boards of Education.

If you need further information regarding this report, please feel free to contact either Lou Solton (755-5015) or me (755-0307) for assistance.

GPB:cd

Enclosure



**MONTEREY COUNTY BOARD OF SUPERVISORS**

<b>MEETING:</b> January 27, 2009	<b>AGENDA NO:</b>
<b>SUBJECT:</b> Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 2008.	
<b>DEPARTMENT:</b> Treasurer-Tax Collector	

**RECOMMENDATION:**

It is recommended that the Board of Supervisors:

Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 2008.

**SUMMARY:**

Government Code Section 53646 (b) requires the Treasurer submit a quarterly report of investments. The attached Exhibit A describes the investment portfolio position by maturity range as of December 31, 2008. Exhibit B provides a narrative portfolio review of economic and market conditions that support the investment activity during the October-December period.

**DISCUSSION:**

During the second quarter of FY 2008-09, the investment portfolio was subject to continued downward pressure on interest rates. This was due to the global economic crisis where investors sought refuge in U.S. Treasuries which are considered to be the safest liquid asset. The substantial worldwide demand for treasury securities drove yield down to historic lows where one and three month treasury Bills periodically produced negative yields. Moreover, all U.S. Treasuries with maturities up to two years produced yields of less than one percent.

Also, during the October – December period, the enactment of the Troubled Asset Relief Program (TARP) legislation resulted in over \$350 billion distributed to certain central banks in an attempt to improve liquidity in a market where credit had been essentially frozen. This had the immediate impact of ensuring investments in those central banks would not be subject to default. This was an attempt by the Federal Reserve to prevent events such as occurred in the prior quarter with assets the County holds in Lehman Brothers and Washington Mutual Bank.

On December 31, 2008, the Monterey County investment portfolio contained an amortized cost basis of \$1,096,149,049 spread among 75 separate securities and funds. The par value of those accounts was \$1,092,213,791, and the market value was \$1,071,111,285 or 98.07% of par value. The difference between the par value and the lower market value predominately reflects the defaulted Lehman Brothers and Washington Mutual Bank assets. The portfolio's net earned income yield for the period was 2.03%. The portfolio produced estimated income of \$4,880,000 for the quarter which will be distributed proportionally to all agencies participating in the investment pool. The County General Fund will receive approximately \$480,000 for the quarter. The investment portfolio had an average maturity of 135 days.

The investment portfolio was in compliance with all applicable provisions of state law and the adopted investment policy, and contained sufficient liquidity to meet all projected outflows over the next six months. Market value pricings were obtained through Bloomberg, LLP, Union Bank of California and included live-bid pricing of corporate securities.

**OTHER AGENCY INVOLVEMENT:**

A copy of this report will be distributed to all agencies participating in the County investment pool. The incoming Treasury Oversight Committee will also receive this report.

**FINANCING:**

General Fund budgeted interest earnings for FY 2008-09 are \$1.25 million. Even though yields continue to trend lower, the projected earnings for the year should be in line with the budget. This is due to higher interest rates earlier in the year.

The County continues aggressive recovery efforts for the \$30 million defaulted securities. Progress reports will be presented to the Board, all pool participants, and the Treasury Oversight Committee when more information is available.

Prepared by:

Approved by:

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Richard N. Smith  
Revenue Manager  
Treasurer-Tax Collector Department  
December 31, 2008

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Louis G. Solton  
Treasurer-Tax Collector  
December 31, 2008

cc: County Administrative Office  
County Counsel  
Auditor-Controller – Internal Audit Section  
All depositors  
Treasury Oversight Committee

Attachments:

Exhibit A – Investment Portfolio by Maturity Range – 12/31/08  
Exhibit B – Investment Portfolio Review

**Exhibit A**  
**County of Monterey Treasurer's Investment Pool**  
**as of December 31, 2008**  
**All Pooled Funds -Listing by Maturity**

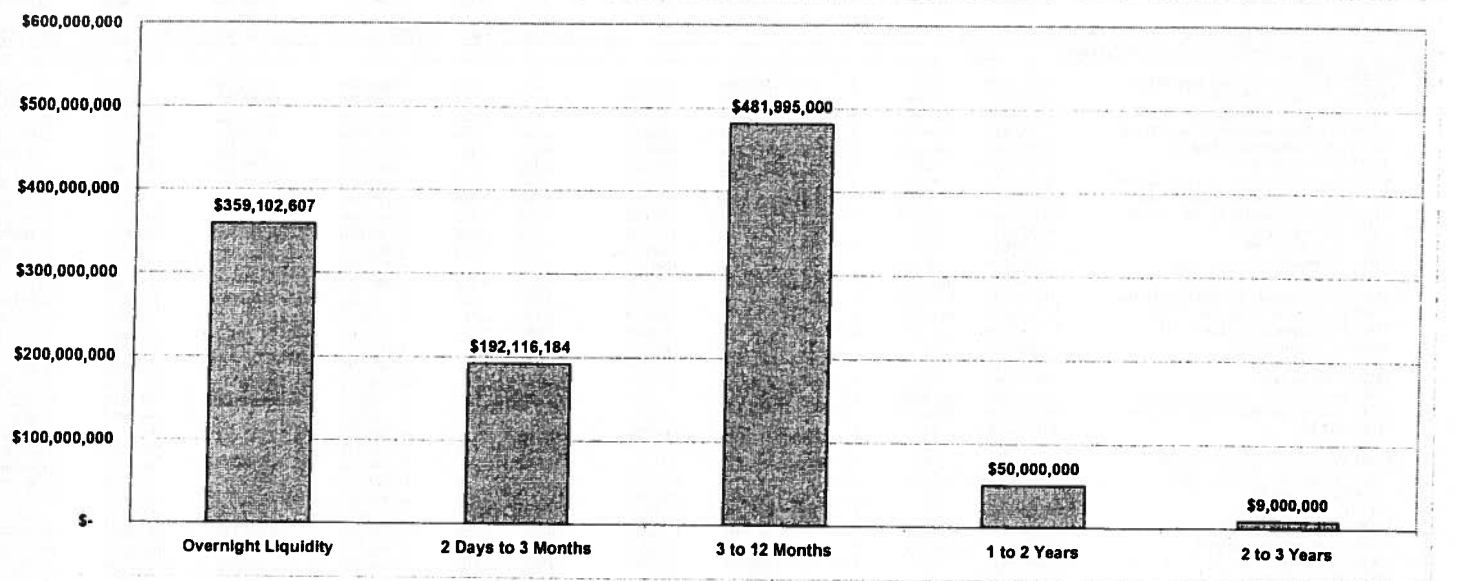
Investment Number	Description	CUSIP	SP/Fitch**	Fund #	Maturity Date	Purchase Date	Coupon	Yield	Par Value	Amortized Cost Basis	12/31/2008 Valuation	12/31/2008 Market Value
<b>OVERNIGHT LIQUIDITY</b>												
11527	Calif Asset Mgmt Fund CAMP - SLR	NA	AAA	40	01/01/09	12/28/08	1.479	1.479	1,013,908	1,013,908	0.000%	1,013,908
11498	Calif Asset Mgmt Fund CAMP-TRAN	NA	AAA	45	01/01/09	07/01/08	1.941	1.941	821,393	821,393	0.000%	821,393
11526	Calif Asset Mgt Prog CAMP-SVWP	NA	AAA	44	01/01/09	12/23/08	1.514	1.514	3,029,550	3,029,550	0.000%	3,029,550
10379	Calif. Asset Mgmt Fund CAMP	NA	AAA	1	01/01/09	06/28/03	1.703	1.703	93,750,000	93,750,000	0.000%	93,750,000
11457	Calif. Asset Mgmt Fund CAMP-MPC	NA	AAA	37	01/01/09	02/21/08	1.709	1.709	887,681	887,681	0.000%	887,681
11386	Cantor Fitz Repurchase Agrmt	NA	N/R	1	01/01/09	02/29/08	0.070	0.070	90,000,075	90,000,075	0.000%	90,000,075
11528	Federated MMF	NA	N/R	1	01/01/09	12/29/08	1.898	1.898	90,000,000	90,000,000	0.000%	90,000,000
11361	State Treasurers Fund LAIF	NA	N/R	1	01/01/09	01/18/08	2.734	2.734	40,000,000	40,000,000	0.000%	40,000,000
11422	State Treasurers Fund LAIF-MPC	NA	N/R	37	01/01/09	04/03/08	2.734	2.734	40,000,000	40,000,000	0.000%	40,000,000
<b>SUBTOTAL - OVERNIGHT LIQUIDITY</b>		32.9%				*Average Yield =		1.754	358,102,607	358,102,607	0.000%	358,102,607
* Simple (not weighted) average yield by section												
<b>2 DAYS TO 3 MONTHS</b>												
11488	Union Bank of Calif CD	90531CUB8	A1/F1	1	01/12/09	07/14/08	3.050	3.050	10,000,000	10,000,000	100.088%	10,008,800
11524	Fannie Mae FNMA	31359MEK5	AAA/AAA	1	01/15/09	12/22/08	5.250	0.098	10,000,000	10,032,900	100.188%	10,018,800
11470	CalTrust Medium Term Fund	N/A	N/R	1	01/30/09	08/01/08	2.795	2.795	35,116,184	35,116,184	100.000%	35,116,184
10602	Federal Home Loan Bank FHLB	3133X4V81	AAA/AAA	1	01/23/09	03/09/04	5.320	8.351	20,000,000	19,875,000	99.875%	19,975,000
11518	US Treasury Note	912828EV8	N/R	1	02/15/09	12/08/08	4.500	0.143	10,000,000	10,081,641	100.509%	10,050,800
11482	US Treasury Note	912828GJ3	N/R	1	02/28/09	11/18/08	4.750	0.300	10,000,000	10,125,190	100.715%	10,071,500
11485	US Treasury Note	912828GL8	N/R	1	03/31/09	11/18/08	4.500	0.481	10,000,000	10,148,500	101.063%	10,108,300
11514	Fed Home Loan Mortgage Assn FHLMC	3137EAAQ2	AAA/AAA	1	03/05/09	12/05/08	4.750	0.820	10,000,000	10,102,900	100.750%	10,075,000
11202	Morgan Stanley Medium Term Note	917446ZAO	A/A	1	02/09/09	03/30/07	2.498	1.933	20,000,000	20,028,380	99.502%	19,900,400
11475	US Treasury Bill	912795K59	N/R	1	02/29/09	08/29/08	1.945	1.918	10,000,000	9,904,472	99.998%	9,999,600
11478	US Treas Bill-Pebble Beach CSD	912795K83	N/R	32	03/19/09	09/18/08	0.000	0.823	7,000,000	8,970,981	99.990%	8,999,300
11478	US Treasury Bill	912795K91	N/R	1	03/26/09	09/25/08	0.000	1.478	20,000,000	19,885,359	99.989%	19,987,800
11479	US Treasury Bill	912795K91	N/R	1	03/26/09	09/30/08	0.000	1.410	10,000,000	9,927,880	99.989%	9,998,900
11522	Freddie Mac Disc NI FMCDN	313397DP3	AAA/AAA	1	03/27/09	12/15/08	0.000	0.180	10,000,000	9,994,900	99.980%	9,998,000
<b>SUBTOTAL - 2 DAYS TO 3 MONTHS</b>		17.8%				*Average Yield =		1.541	192,118,184	192,292,087	100.188%	192,318,184
* Simple (not weighted) average yield by section												
<b>3 TO 12 MONTHS</b>												
11297	Lehman Bros Medium Term Note***	52517PG21	N/R	1	04/03/09	10/01/07	0.000	0.000	10,000,000	9,890,000	9.000%	900,000
11487	Union Bank of Calif CD	90531CUC4	A1/F1	1	04/09/09	07/14/08	3.070	3.070	10,000,000	10,000,000	100.480%	10,048,000
11521	Fed National Mortgage Assn FNMA	31359MK89	AAA/AAA	1	04/15/09	12/15/08	4.875	0.383	10,000,000	10,149,430	101.250%	10,125,000
11515	Federal Home Loan Disc Note FHDN	313385EK8	AAA/AAA	1	04/18/09	12/08/08	0.000	0.300	10,000,000	9,989,250	99.960%	9,996,000
11516	Freddie Mac Disc NI FREDN	313397ER8	AAA/AAA	1	04/22/09	12/08/08	0.000	0.380	10,000,000	9,986,500	99.950%	9,995,000
11477	US Treasury Note	912828GP9	N/R	1	04/30/09	09/25/08	4.500	1.875	10,000,000	10,187,188	101.414%	10,141,400
11258	Washington Mutual Med Term Note***	93933VAZ1	N/R	1	05/01/09	07/12/07	0.000	0.000	20,000,000	19,978,800	29.000%	5,800,000
11508	Fed National Mortgage Assc FNMA	31359MEV0	AAA/AAA	1	05/15/09	11/28/08	4.250	1.046	10,000,000	10,149,800	101.408%	10,140,800
11484	Fed Home Loan Mortg Assn FHLMC	3137EAAE9	AAA/AAA	1	05/21/09	10/21/08	5.250	2.954	10,000,000	10,131,530	101.844%	10,184,400
11503	US Treasury Note	912828GT1	N/R	1	05/31/09	11/25/08	4.875	0.708	10,000,000	10,213,281	101.906%	10,180,800
11481	US Treasury Bill	912795Q79	N/R	1	08/04/09	10/21/08	0.000	1.749	10,000,000	9,891,394	99.958%	9,985,800
11504	Fed National Mtg Assn FNMA	31359MD87	AAA/AAA	1	08/08/09	12/01/08	4.200	1.481	10,000,000	10,141,200	101.825%	10,182,500
11523	Federal Home Loan Bank FHLB	3133XRIH8	AAA/AAA	1	09/10/09	12/19/08	2.825	0.354	10,000,000	10,107,700	101.000%	10,100,000
11501	Federal Home Loan Mort Cor FHLMC	3137EAA78	AAA/AAA	1	09/11/09	11/21/08	5.000	1.595	10,000,000	10,187,480	102.031%	10,203,100
11482	Fed National Mortgage Assc FNMA	31359MEV1	AAA/AAA	1	08/15/09	10/22/08	6.375	2.840	10,000,000	10,218,150	102.719%	10,271,900
11472	Union Bank of Calif CD-SVWP	90531CUX8	A1/F1	44	08/24/09	08/04/08	3.000	3.000	2,000,000	2,000,000	100.890%	2,013,800
11455	US Treasury Note	912828GV8	N/R	1	08/30/09	04/28/08	4.875	2.147	10,000,000	10,280,489	102.277%	10,227,700
11507	US Treasury Note	912828GV8	N/R	1	08/30/09	11/28/08	4.875	0.709	10,000,000	10,260,489	102.277%	10,227,700
11525	USTreasury Bill	912795Q87	N/R	1	07/02/09	12/23/08	0.000	0.240	10,000,000	9,987,267	99.867%	9,988,700
11485	Federal Home Loans Mortg Assn	313444US1	AAA/AAA	1	07/15/09	10/30/08	4.250	2.835	10,000,000	10,098,200	102.031%	10,203,100
11212	Student Loan Marketing Assn SLMA	78442FDQ8	BBB-/BBB	1	07/27/09	04/18/07	3.875	4.575	20,000,000	19,887,000	94.260%	18,852,000
11489	US Treasury Note	912795Q85	N/R	1	07/30/09	11/20/08	0.000	0.865	10,000,000	9,939,800	99.840%	9,984,000
11489	US Treasury Note	912828GV0	N/R	1	07/31/09	11/03/08	4.825	1.289	10,000,000	10,248,800	102.488%	10,246,800
11338	Merrill Lynch Medium Term Note	59018YYD7	A/A+	1	08/14/09	12/11/07	2.223	5.361	20,000,000	19,538,200	96.937%	19,387,400
11506	Fed National Mtg Assn FNMA	31359MU88	AAA/AAA	1	08/15/09	12/01/08	5.375	1.838	10,000,000	10,281,000	103.000%	10,300,000
11474	US Treasury Note	912795S26	N/R	1	08/27/09	08/29/08	2.164	2.148	10,000,000	9,788,210	99.878%	9,987,800
11487	US Treasury Note	912828HB9	N/R	1	08/31/09	10/30/08	4.000	1.334	10,000,000	10,220,313	102.387%	10,238,700
11529	Fed National Mortgage Assc FNMA	31359MEY5	AAA/AAA	1	09/15/09	11/03/08	6.825	2.825	10,000,000	10,340,100	104.094%	10,409,400
11488	Federal Home Loan Bank	3133XGNJ9	AAA/AAA	1	09/18/09	10/30/08	5.000	2.939	10,000,000	10,178,100	103.063%	10,308,300
11435	US Treasury Note	912828HD5	N/R	1	09/30/09	04/24/08	4.000	2.118	10,000,000	10,257,373	102.895%	10,289,500
11494	US Treasury Note	912828HD5	N/R	1	09/30/09	10/31/08	4.000	1.400	10,000,000	10,257,373	102.895%	10,289,500
11511	US Treasury Note	912828HD5	N/R	1	09/30/09	12/04/08	4.000	0.870	10,000,000	10,257,373	102.895%	10,289,500
11505	Fed Home Loan Bank FHLB	3133XRPQ7	AAA/AAA	1	10/02/09	12/01/08	3.260	1.900	10,000,000	10,112,100	102.031%	10,203,100
11496	Fed Farm Discount Note	313313MR8	AAA/AAA	1	10/07/09	11/20/08	0.000	1.985	10,000,000	9,828,125	99.540%	9,954,000
11499	UST Bills	912795S44	N/R	1	10/22/09	11/25/08	0.000	0.821	10,000,000	9,925,065	99.729%	9,972,900
11491	Federal Farm Credit Bank FFCB	31331XBQ4	AAA/AAA	1	10/23/09	11/04/08	5.000	2.464	8,995,000	9,212,139	103.531%	9,312,813
11434	US Treasury Note	912828HF0	N/R	1	10/31/09	04/22/08	3.825	2.110	10,000,000	10,225,761	102.833%	10,263,300
11513	US Treasury Note	912828DB3	N/R	1	11/15/09	12/04/08	3.500	0.700	10,000,000	10,263,930	102.688%	10,288,800
11517	Federal Home Loan Mtg Cor FHLMC	3128X7ST2	AAA/AAA	1	11/18/09	12/08/08	2.880	1.083	10,000,000	10,148,700	101.449%	10,144,900
11340	Goldman Sachs Medium Term Note	36141GE77	A/A-	1	11/18/09	12/18/07	2.229	3.789	20,000,000	19,894,400	95.784%	19,158,800
11500	UST Bills	912795S51	N/R	1	11/19/09	11/25/08	0.000	0.841	10,000,000	9,918,832	99.700%	9,970,000
11498	Federal Home Loan Bank FHLB	3133XSN44	AAA/AAA	1	11/24/09	11/24/08	2.250	2.150	10,000,000	10,009,800	101.438%	10,143,800
11519	Federal Home Loan Bank FHLB	3133XGY75	AAA/AAA	1	12/11/09	12/12/08	5.000	1.021	11,000,000	11,433,114	104.063%	11,448,930
11100	Student Loan Marketing Assn SLMA	78442FDA3	BBB-/BBB	1	12/15/09	09/25/08	2.498	2.853	10,000,000	9,965,000	99.682%	9,968,200
11520	Fed Farm Credit Bank - FCB	31331GHE2	AAA/AAA	1	12/18/09	12/18/08	0.900	0.890	10,000,000	10,000,970	100.219%	10,021,900
<b>SUBTOTAL 3 TO 12 MONTHS</b>		44.1%				*Average Yield =		1.713	481,995,000	485,733,508	97.271%	481,263,243

\* Simple (not weighted) average yield by section  
\*\* Ratings as of December 31, 2008  
\*\*\* Non-performing asset pending recovery effort

**Exhibit A**  
**County of Monterey Treasurer's Investment Pool**  
**as of December 31, 2008**  
**All Pooled Funds -Listing by Maturity**

Investment Number	Description	CUSIP	SP/Fitch**	Fund #	Maturity Date	Purchase Date	Coupon	Yield	Par Value	Amortized Cost Basis	9/30/2008 Valuation	9/30/2008 Market Value	
<b>1 to 2 YEARS</b>													
11336	Morgan Stanley Medium Term Note	61746SBB4	A/A	1	01/15/10	12/10/07	5.033	6.442	10,000,000	9,831,300	93.164%	9,316,400	
11509	Federal Home Loan Mtg Asn FHLMC	3137EABG3	AAA/AAA	1	04/30/10	12/02/08	2.875	2.158	10,000,000	10,074,755	102.188%	10,218,800	
11502	Federal Home Loan Mtg Asn FHLMC	3137EABG3	AAA/AAA	1	04/30/10	11/24/08	2.875	2.515	10,000,000	10,074,755	102.188%	10,218,800	
11473	Bank of America Medium Term Note	06050TLF7	AA+/A+	1	05/12/10	05/21/08	2.835	2.899	10,000,000	10,020,000	97.815%	9,791,500	
11510	Fed National Mortgage Assn FNMA	31398APV8	AAA/AAA	1	05/20/10	12/02/08	2.375	2.233	10,000,000	10,020,340	101.969%	10,196,900	
<b>SUBTOTAL 1 TO 2 YEARS</b>		<b>4.6%</b>					<b>*Average Yield=</b>		<b>3.209</b>	<b>50,000,000</b>	<b>50,021,150</b>	<b>99.485%</b>	<b>49,742,400</b>
* Simple (not weighted) average yield by section													
<b>2 To 3 Years</b>													
11481	JP Morgan Medium Term Note-MPC	46625HGH7	A+/AA-	37	05/18/11	05/22/08	2.259	2.911	4,000,000	3,937,200	93.595%	3,743,600	
11420	Gen Electric Med Term Note-MPC	36962GX82	AAA/AAA	37	08/22/11	04/04/08	5.720	5.310	5,000,000	5,062,500	98.861%	4,843,050	
<b>SUBTOTAL 2 TO 3 YEARS</b>		<b>0.8%</b>					<b>*Average Yield=</b>		<b>4.11</b>	<b>9,000,000</b>	<b>8,999,700</b>	<b>98.226%</b>	<b>8,686,650</b>
* Simple (not weighted) average yield by section													
** Ratings as of December 31, 2008													

<b>TOTAL PORTFOLIO - as of 12/31/08</b>				<b>Par Value</b>	<b>Cost Basis</b>	<b>Market Value</b>
<b>Period Earned Income Yield = 1.784%</b>	Overnight Liquidity	32.9%		359,102,607	359,102,607	359,102,607
<b>Weight Average Market Valuation = 98.07%</b>	2 days - 3 months	17.8%		192,116,184	192,292,087	192,316,184
<b>Weight Average Maturity = 0.37 Years</b>	3 months - 12 months	44.1%		481,995,000	485,733,506	481,263,243
	1 - 2 years	4.8%		50,000,000	50,021,150	49,742,400
	2 - 3 years	0.8%		9,000,000	8,999,700	8,686,650
		<b>100%</b>		<b>1,092,213,791</b>	<b>1,098,149,049</b>	<b>1,071,111,285</b>



## Exhibit B

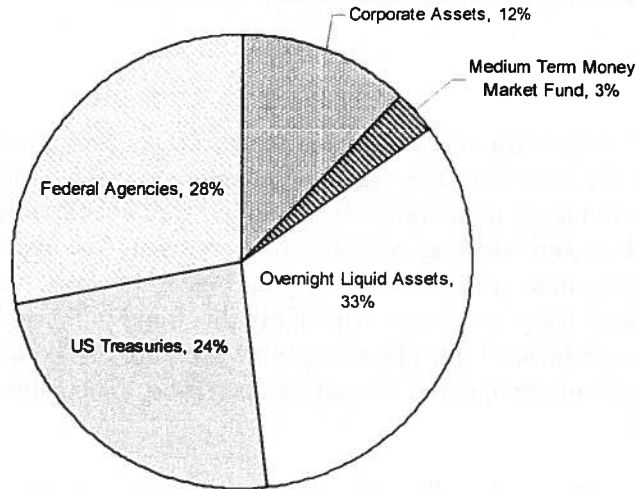
### Investment Portfolio Review Quarter Ending December 31, 2008

#### OVERVIEW

During the relatively brief period from October 1 to December 31, 2008 all sectors of the financial markets suffered the most extreme negative pressure since the 1930's. Credit markets came to a virtual standstill; housing markets experienced accelerated foreclosures, declining values and building permits; equity markets lost approximately 30% of their value; unemployment accelerated to 20 year highs. In short, the country has been in a protracted recession for over a year. It is likely this trend will continue for the foreseeable future. These conditions have placed extreme pressure on fixed income investments including the Monterey County investment portfolio. The following indicators are noteworthy:

1. Market Access – The availability of debt instruments for purchase has narrowed substantially. For example, short term corporate debt, also known as commercial paper, has become non-existent. Some fixed income money market funds have collapsed. The contraction of market access has resulted in expanding the County's investments in available U.S. Treasury and Agency securities, which comprise 52% of the portfolio.
2. Credit Risk – National credit rating agencies lowered the ratings on a substantial amount of corporate debt. However, the accelerated pace of financial failures during the period raised questions concerning the credit rating agencies' willingness or ability to accurately assess the financial strength of many financial institutions. For example, Lehman Brothers was "A" rated just days before it filed Chapter 11 bankruptcy. The Monterey County investment portfolio contained investment grade ratings on all assets including an "A" or higher rating on all corporate debt. All Federal Agency assets such as Freddie Mac and Fannie Mae are "AAA" rated as a result of explicit support from the U.S. Treasury. Investments in Federal Agencies represent 28% of the Monterey County investment portfolio's total assets.
3. Liquidity Risk – Liquidity risk, as measured by the extent of withdrawal demands on invested assets reached the highest level of the fiscal year during the October to December period. Due to the pressure from the State where numerous payments were delayed and due to the normal cycle of declining revenues in the second fiscal quarter, exceptional demands for cash were placed on the portfolio. In late November, the County's available General Fund cash was less than \$25 million. In response, the Treasury maintained a large percentage of assets in immediately available funds. On December 31, 2008 33% of the portfolio was invested in overnight liquid assets. The infusion of property tax revenue in late December helped to mitigate the severely declining cash position.

4. Diversification – The investment portfolio was diversified but constrained by the above noted impairment to market access during the period. The portfolio was invested in the following categories on December 31, 2008:



### PORTFOLIO CHARACTERISTICS

	<u>September 30, 2008</u>	<u>December 31, 2008</u>
Total Assets	\$ 903,094,823	\$1,092,213,791
Market Value	\$ 865,091,886	\$1,071,111,285
Days to Maturity	127.5	135
Yield	2.61%	2.03%
Estimated Earnings	\$ 6,205,882	\$ 4,880,000

### FUTURE STRATEGY

Many challenges to prudent portfolio management persist. At the time of this report, the State of California has not resolved their budget crisis. Consequently, there may be additional payment delays and actual reductions from anticipated revenue streams. A worst case scenario could result in the issuance of registered warrants (or IOU's) for numerous subvented programs. This circumstance would necessitate urgent response from the County in terms of its own allocation of vendor payments and cash flow mitigations. In response to the State situation, the Treasurer will continue to ensure an ongoing liquid cash position greater than 30% of invested assets.

The Treasurer believes short term yields, particularly in U.S. Treasuries, will remain extremely low for at least the next 3-6 months. Treasuries continue to remain a safe haven for investors worldwide. Consequently, yields on the investment portfolio will continue to decline. As older assets mature, the new market replacement securities (not needed for expenses) will present estimated short term yields at or less than a 1% return.

The continuing heavy borrowing by the U.S. Treasury for announced bailouts and stimulus programs may result in upward inflationary pressure beyond the next six months. This would lead to much higher yields in the future. In order to mitigate the risk of incurring market losses if/when yields begin to increase, the Treasurer will maintain a ladder of rolling asset maturities that ensure the currency of the overall portfolio in any market environment.

Separately, the treasurer, along with other County team members, continues an aggressive effort to recover defaulted assets of Lehman Brothers (\$10 million) and Washington Mutual Bank (\$20 million). With respect to legislation, Senator Feinstein has introduced SB 116 which specifically requires the Secretary of the Treasury to allocate funds to local governments that have suffered losses due to the failure of financial institutions. In addition, the County has filed suit against Lehman Brothers corporate offices and their accountancy firm. County claims have been filed in bankruptcy proceedings to secure distributed assets from Lehman Brothers and Washington Mutual Bank.

