



CalTRUST Board of Trustees Meeting

April 27, 2016

Hyatt Indian Wells, Indian Wells, CA

MINUTES

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

1. Roll Call

- Charles Lomeli (**President**), Solano County
- Glenn Duncan (**Vice President**), City of Chino
- John Colville (**Secretary**), City of Sacramento
- Dan McAllister (**Treasurer**), San Diego County
- Dave Ciapponi, Westlands Water District
- Rod Dole, Public Member
- Don Kent, Riverside County
- Geoffrey Kiehl, City of Palm Springs
- Brian Mayhew, Bay Area Toll Authority
- Russell "Rusty" Watts, Contra Costa County
- Mary Zeeb, Monterey County

Other Attendees:

- | | |
|-----------------|---|
| Robert Bendorf | Yuba County/CSAC Finance Corporation |
| Matt Cate | California State Association of Counties |
| Lyle Defenbaugh | Wells Capital Management |
| Jim Erb | San Luis Obispo County/CSAC Finance Corporation |
| Alan Fernandes | CSAC Finance Corporation |
| Tom Ford | CSAC Finance Corporation |
| John Johnson | San Bernardino County |
| Mike Johnson | CSAC Finance Corporation |
| Regina Kumar | CSAC Finance Corporation |
| Laura Labanieh | CSAC Finance Corporation |
| Neil McCormick | California Special Districts Association |
| Kip Meadows | Nottingham |
| Tony Melville | Wells Capital Management |
| Mike Rodgers | Wells Capital Management |
| Steve Swendiman | CSAC Finance Corporation |
| David Twa | Contra Costa County/CSAC Finance Corporation |
| Rick Wood | California Special Districts Association |
| Steven Woodside | Legal Counsel |

2. Welcome and Introductions

President Lomeli welcomed everyone and self-introductions ensued.

3. Consider Minutes of the Previous Board Meetings

The Board unanimously approved the CalTRUST Board of Trustees Fall Meeting of September 16, 2015 corrected minutes; the CalTRUST Special Meeting of December 11, 2015 minutes; and the CalTRUST Special Meeting of March 14, 2016 minutes.

Motion: G. Duncan
Second: D. McAllister

4. CalTRUST Board of Trustees

a. Consider Appointment of Secretary

The Board appointed John Colville as Secretary of the CalTRUST Board of Trustees.

Motion: D. McAllister

Second: M. Zeeb

b. Consider Board Member Removal Per Section 2.3 of the JPA

There was no motion to consider removal; item failed for lack of motion.

5. Appoint Budget & Audit Committee

The Board appointed Trustees Dole, Kiehl, and McAllister to serve on the Budget & Audit Committee for FY 2016-17.

Motion: D. Ciapponi

Second: G. Duncan

6. Review & Consider Administrative Matters

a. Review & Consider Affirmation of CalTRUST Documents

The Board approved the revised Investment Policy with the correction of changing the notice for medium-term fund transactions to five business days.

Motion: R. Dole

Second: D. Kent

The Board approved the revised Information Statement as presented.

Motion: G. Duncan

Second: D. Ciapponi

The Board affirmed the Joint Exercise of Powers Agreement as presented.

Motion: R. Watts

Second: M. Zeeb

b. Consider Rating Agency Services

The CalTRUST Medium-Term Fund has not historically been rated. Wells has modeled the Fund and expects it to receive a A+ rating were it to be rated by Standard & Poor's. The Board discussed whether an additional rating agency should be secured or if they should consider a different provider but chose not to motion to make any changes and instead continue the rating relationship with Standard & Poor's. The Board approved moving forward with pursuing a Standard & Poor's rating for the Medium-Term Fund.

Motion: G. Duncan

Second: R. Watts

c. Consider CalTRUST Budget

The Board received an update on the FY15-16 budget and approved the FY16-17 budget as presented.

Motion: D. McAllister

Second: G. Duncan

d. Consider CalTRUST Reserve Policy & Use of Excess Proceeds

The Board approved the following CalTRUST Reserve Policy:

CalTRUST will maintain a reserve account equal to no less than 100% of current annual operating costs minus the Endorsement Fees. This amount will be calculated annually based upon the budgeted operating expenses.

Motion: R. Watts

Second: J. Colville

e. Consider Staffing

Staff will bring back options for formal legal counsel engagement at a later meeting. The Board authorized the CSAC Finance Corporation to use the money market fees bookmarked for outreach and marketing activities to hire a CSAC Finance Corporation employee who will focus primarily on CalTRUST outreach.

Motion: D. Ciapponi

Second: J. Colville

7. Consider CalTRUST Audit Contract

Though the current auditor, Gilbert Associates, has done an exceptional job with CalTRUST and there have been no issues with their services, the CalTRUST Budget & Audit Committee felt it would be prudent to engage a new audit service provider due to the number of years we have worked with Gilbert Associates. The Board approved entering into an audit services engagement with James Marta & Company LLP for three-years with the option of two additional one-year extensions.

Motion: D. McAllister

Second: G. Duncan

8. GovTRUST Discussion

Trustees Lomeli and Colville, along with Kip Meadows of Nottingham, provided an update on the development of GovTRUST. Steven Woodside cautioned the Board that it may present a conflict per Section 1090 of the Government Code for CalTRUST Trustees to serve on GovTRUST. Staff was given direction to work with legal counsel to resolve any conflict issues and to review current GovTRUST governing documents and work on a term sheet for potential CalTRUST/GovTRUST partnership to bring back to the Board.

9. Nottingham Investment Administration Update

Kip Meadows provided an overview of transactions processed by Nottingham and reported that there have not been any failed or erroneous transactions since he last reported to the Board. Chuck Lomeli updated the Board on the April due diligence visit with Nottingham staff. The Board will begin selecting random dates for the Nottingham to provide reconciliation reports for review/audit by the CalTRUST Budget & Audit Committee.

10. Investment, Market & Portfolio Strategy Update & Review

Mike Rodgers and Tony Melville presented the investment and market update. They discussed various risk themes and noted that negative interest rates in Europe and Japan are particularly concerning; there has been significant volatility this year while fundamentals are strong and risk premiums are attractive; and underlying demand for yield remains strong as evidenced by oversubscription in corporate and structured new issues. They discussed that sovereign and supranational agencies remain a good value.

The short-term portfolio returned 0.30% Year to Date 2016 and 0.56% for the full year ending March 2016. The target duration of the portfolio remains in the six month to one year range and was at 0.41 as of March 31, 2016. The duration target continues to be driven by ensuring sufficient liquidity and a competitive yield vs LAIF.

The medium-term portfolio returned 0.97% Year to Date 2016 and 1.15% for the full year ending

March 2016. This compares to the benchmark returns of 0.94% and 1.04% for the same respective time periods. The portfolio's duration is currently 1.68 versus the duration of the benchmark of 1.89; the medium-term fund is managed benchmark aware but participant centric

11. Client Update & Marketing

Lyle Defenbaugh presented the client update; noting that CalTRUST was at \$2.45 billion in assets. Recent successes with new participants including San Luis Obispo County, San Geronio Pass Water Agency, Riverside Transit Agency, and CalViva Health. Successes with participants increasing their assets were evident with CenCal Health, Rural County Representatives of California, and Sonoma County.

Defenbaugh discussed how a tightening regulatory environment in government banking is causing public funds to be less desirable to banking institutions and creating opportunities for CalTRUST.

12. Future Meetings

Laura Labanieh noted the dates and locations for upcoming meetings including the 2016 Fall Meeting to be held September 14th at the Biltmore Santa Barbara and the 2017 Annual Meeting to be held April 19th at The Clement Monterey.

13. Other Business

There was no other business.

14. Public Comment

There was no public comment.

15. Adjourn

The meeting was adjourned at 11:46 a.m.