



COUNTY OF YOLO

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Yolo County Investments Remain Safe

(Woodland, CA) – In the midst of continuing turmoil in financial markets, Yolo County’s investment adviser, PFM Asset Management, LLC, reports the county’s portfolios remain diversified, safe, and with very high credit quality. There is only a modest exposure in corporate notes, but these are concentrated on “AA” and “AAA” issuers. The county does not hold any securities issued by the troubled issuers including Bear Stearns, Lehman Brothers, AIG, Washington Mutual or Wachovia. By law, county investments do not include stocks or other equity securities.

In addition to the county’s operating and trust funds, county portfolios include 70 other investment pool participants such as school districts and special districts in Yolo County. Excess funds (i.e. not needed to meet current expenditures) from all entities deposited into the county treasury are pooled together and invested to earn a rate of return that is prudent when considering the safety and liquidity needs of the pool participants.

A large part of these county’s portfolios (\$112 million) consists of senior debt securities issued by government-sponsored enterprises such as Fannie Mae and Freddie Mac. The U.S. Treasury has recently reaffirmed its full backing of such instruments even while these agencies are being re-organized. Thus, there is no risk in holding these positions. Another significant portion of the portfolios consists of short-term investments (\$117 million) with such stable funds as the state-sponsored Local Agency Investment Fund and the California Asset Management Program.

At the same time the federal government announced its massive bail-out plan for U.S. financial markets, it injected large amounts of liquid assets in the monetary system: a \$93 billion loan to banks through the discount window; release of \$105 billion of temporary reserves into the financial system via repurchase operations; and issuance of \$200 billion of cash management bills to finance short-term liquidity measures, etc. These attempts to inject liquidity in the system have renewed confidence in U. S. financial markets and provided a needed boost to U. S. Treasury notes and bills, which are regular components of the county’s portfolios.

“The markets remain very volatile and disrupted, and all eyes are on the specifics of the bail-out plan,” said Howard Newens, Yolo County Auditor-Controller/Treasurer-Tax Collector. “The latest news that this plan failed to pass Congress yesterday caused the Dow Jones index to drop 780 points, the most in history, and caused the credit market to freeze. For the time being, our strategy is to continue to build liquidity in our portfolios and remain ultra-conservative in our investment activity. Investment staff will continue to monitor the market closely and keep the Board of Supervisors apprised of significant turns of events.”

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