



County Executive Office

Memorandum

February 20, 2025

To: Clerk of the Board of Supervisors

From: Michelle Aguirre, Interim County Executive Officer

Subject: Exception to Rule 21

2025 FEB 20 PM 3:50  
CLERK OF THE BOARD  
COUNTY OF ORANGE  
BOARD OF SUPERVISORS

RECEIVED

Digitally signed by Michelle Aguirre  
DN: cn=Michelle Aguirre, o=County of Orange, ou=CEO, email=Michelle.Aguirre@ocgov.com, c=US  
Date: 2025.02.20 14:47:43 -0800

*MAguirre*

*S36F*

The Office of County Counsel is requesting a Supplemental Agenda Staff Report for the February 25, 2025 Board Hearing.

Agency: County Counsel

Subject: Approve Resolutions Dissolving Treasury Oversight Committee and Establishing Investment Oversight Committee, Reestablishing AOC, and Terminating Voluntary Pool Participant Program

Districts: All Districts

Reason Item is Supplemental: This item is to be placed on the agenda based on direction from the Board given at the February 11, 2025 Board meeting.

Justification: This item is to be placed on the agenda at the direction of the Board and is intended to ensure that proper oversight is exercised over County investment activities. This item will also terminate the County's Voluntary Pool Participation program, which allows certain local agencies to deposit excess funds in the County treasury for investment by the Treasurer. The program has become administratively burdensome and the amount of such funds on deposit is less than one percent of the County investment pool. This Agenda Staff Report and attachments were finalized after the filing deadline to the Clerk of the Board.

Concur: *Doug Chaffee*  
Doug Chaffee, Chair of the Board of Supervisors

cc: Board of Supervisors  
County Executive Office  
County Counsel



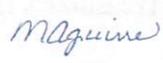
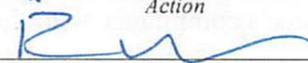
**SUPPLEMENTAL AGENDA ITEM  
AGENDA STAFF REPORT**

RECEIVED  
2025 FEB 20 PM 3:50  
CLERK OF THE BOARD  
COUNTY OF ORANGE  
BOARD OF SUPERVISORS

**MEETING DATE:** 2/25/25  
**LEGAL ENTITY TAKING ACTION:** Board of Supervisors  
**BOARD OF SUPERVISORS DISTRICT(S):** All Districts  
**SUBMITTING AGENCY/DEPARTMENT:** County Counsel  
**DEPARTMENT HEAD REVIEW:** Leon Page  
*Department Head Signature*  
**DEPARTMENT CONTACT PERSON(S):** Leon Page (714) 834-3300  
Mark Servino (714) 834-3300

**SUBJECT:** Approve Resolutions Dissolving Treasury Oversight Committee and Establishing Investment Oversight Committee, Reestablishing AOC, and Terminating Voluntary Pool Participant Program

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<b>CEO CONCUR</b>  <small>Digitally signed by Michelle Aguirre DN: cn=Michelle Aguirre, o=County of Orange, ou=CEO, email=mmichelle.aguirre@ocgov.com, cn=15 Date: 2025.02.20 14:47:23 -0800</small> <i>CEO Signature</i>	<b>COUNTY COUNSEL REVIEW</b> <u>Approved Resolutions to Form</u> <i>Action</i>  <i>County Counsel Signature</i>	<b>CLERK OF THE BOARD</b> Discussion 3 Votes Board Majority
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**Budgeted:** N/A      **Current Year Cost:** N/A      **Annual Cost:** N/A  
**Staffing Impact:** N/A      **# of Positions:** N/A      **Sole Source:** N/A  
**Current Fiscal Year Revenue:** N/A  
**Funding Source:** N/A      **County Audit in last 3 years** 2022, 2023, 2024  
**Levine Act Review Completed:** N/A  
**Prior Board Action:** 2/11/2025; 7/14/2020; 11/14/2017; 2/09/2016

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- RECOMMENDED ACTION(S)**
1. Adopt Resolution rescinding Resolution No. 95-946 to dissolve the Treasury Oversight Committee and establish the Investment Oversight Committee.
  2. Adopt Resolution rescinding Resolution Nos. 16-014, and 20-087 to reestablish the Audit Oversight Committee and to direct the members of the Audit Oversight Committee to sit as members of the Investment Oversight Committee.
  3. Adopt Resolution rescinding Resolution Nos. 88-134 and 17-135, effective June 30, 2025, to terminate the Voluntary Pool Participation program, as defined in Government Code section 53684.

**SUMMARY:**  
Adoption of the proposed Resolution related to the Treasury Oversight Committee (“TOC”) and the Investment Oversight Committee (“IOC”) will simultaneously dissolve the TOC and establish a new

committee to provide oversight for matters related to the County treasury and investment activities. The membership of the IOC will be comprised of the Audit Oversight Committee (“AOC”) members and the County Superintendent of schools (“Superintendent”), or his or her designee. Adoption of the resolution related to the AOC will direct the members of the AOC to sit as the members on the IOC. Lastly, adoption of the proposed Resolution related to the Voluntary Pool Participation program will disallow certain local agencies from depositing their excess funds in the County treasury for investment by the Treasurer and provide for the return of such funds to the local agencies.

## **BACKGROUND INFORMATION:**

### **Treasury Oversight Committee**

Counties that invested surplus funds were originally required to establish a TOC. However, in 2004, the Legislature amended the law to make the establishment of a TOC optional. Gov’t Code § 27131. While the establishment of a TOC is optional, if a county were to establish a TOC pursuant to Section 27131, then its composition and duties are governed by Section 27130, et seq. The statutory duties of a TOC are limited to reviewing and monitoring the Treasurer’s investment policy statement (“IPS”) and causing an annual audit. See Gov’t Code §§ 27133, 27134.

On December 19, 1995, by Resolution 95-946, the Board of Supervisors (“Board”) established the County TOC to promote the restoration of confidence in the Office of Treasurer-Tax Collector, following the investment pool collapse in March 1995. The TOC is comprised of the following seven members: the County Auditor-Controller; the County Executive Officer, as the representative of the Board of Supervisors; the County Superintendent of Schools; and four public members. The public members are nominated by the Treasurer and confirmed by the Board. Consistent with state law, the TOC reviews the Treasurer’s IPS and causes an audit to determine the Treasurer’s compliance with the IPS.

### **Audit Oversight Committee**

On April 25, 1995, by Resolution No. 95-271, the Board established the AOC to act in an oversight capacity over audits conducted by the Internal Audit Department. Like the TOC, the AOC was established in the wake of the County’s declaration of bankruptcy. On February 9, 2016, by Resolution 16-014, the Board repealed Resolution 95-271 and affirmed and amended the duties of the AOC to include providing oversight over the County’s financial reporting process and internal controls. On July 14, 2020, by Resolution 20-087, the Board amended Resolution 16-014, to provide that the terms of the public AOC members are coterminous with the member of the Board of Supervisors that nominated such public member and clarify that the Internal Audit Department provide staffing support to the AOC.

The AOC is comprised of the following eight members: The Chair of the Board of Supervisors; the Vice Chair of the Board of Supervisors, the County Executive Officer, and five public members appointed by the Board of Supervisors. Public members of the AOC are required to possess sufficient knowledge and expertise in finance, business, and accounting to discharge the AOC’s duties, with an emphasis on prior audit experience.

### **Investment Oversight Committee**

It is recommended that the Board approve the proposed Resolutions to dissolve the TOC, establish the IOC, and direct that the members of the AOC sit as the members of the IOC. As noted above, the TOC is limited in its statutory duties to overseeing the Treasurer’s compliance with the Treasurer’s IPS. Thus, the TOC could not exercise oversight over the County Executive Officer’s compliance with the Orange County Investment Policy, approved by the Board at the February 11, 2025, Board meeting. However, the proposed IOC is not so limited. For example, as proposed in the attached Resolution, the IOC could oversee compliance with any Board-approved investment policy, not just those policies that govern the Treasurer’s

investment operations. Moreover, the proposed Resolution requires the IOC to cause an annual audit to determine the County's compliance with any Board-approved investment policies governing the investment of funds deposited in the County treasury. Like the TOC, the IOC shall also receive all reports related to the County treasury and the investment of funds on deposit in the County treasury.

Given that the County school districts are a significant investor in the County investment pool, and that the Superintendent currently sits as a member of TOC, it is important that Superintendent has a voice on any investment oversight body. However, rather than expanding the AOC's oversight and adding the Superintendent as a voting member of the AOC, the proposed resolutions create a new oversight body, whose membership is comprised of the AOC members and the Superintendent. The proposed Resolutions allow the IOC meetings to be held concurrently with the AOC meetings. The purpose of this structure is to receive oversight from AOC members, whose expertise includes reviewing and monitoring audits, while also providing a voice for the Superintendent on County investment activities. This structure also does not require the Superintendent to participate in the full AOC agenda, which mainly pertains to County-related audits.

In addition to directing the AOC members to sit as members of the IOC, the proposed Resolution reestablishing the AOC also makes administrative changes to reflect the termination of the Performance Audit Director position and reflect the proper name of County Annual Comprehensive Financial Report.

**Voluntary Pool Participation**

Government Code section 53684 authorizes local agencies, with the consent of the Treasurer, to deposit excess funds of the local agency into the County treasury for investment by the Treasurer. Pursuant to Subdivision (f), Government Code section 53684 the board of supervisors must adopt an ordinance for the section to be operative in the county. On February 2, 1988, by Resolution No. 88-134, the Board made section 53684 operative in the County. On December 16, 1997, by Resolution No. 97-550, the Board continued to make Section 53684 operative in the County, subject to the Board's approval of each local agency's participation and the prohibition of participation by agencies located outside of Orange County. On November 17, 2017, by Resolution No. 17-135, the Board rescinded Resolution 97-550 to remove the requirement that the Board approve each local agency's participation, and to reflect the procedure outlined in the Treasurer's IPS, which permitted the Treasurer to approve each local agency's participation and notify the Board within five days.

It is recommended that the Board approve the proposed Resolution to terminate the Voluntary Pool Participation program as the management of the program has become administratively burdensome. Moreover, the amount of such voluntary pool participant funds on deposit is less than one percent of the County investment pool, thereby eliminating any economies of scale. It is recommended that the program terminate by June 30, 2025, to allow the Treasurer sufficient time to return the deposited funds to the participating local agencies.

**Prior Board Actions:**

<b>Board Date</b>	<b>Board Action</b>
02/11/2025 #S31K	Approved the Orange County Investment Policy
07/14/2020 #11	Approved Resolution No. 20-087, amending Resolution 16-014 to provide term of office of public members to be coterminous with the term of office of the nominating Board of Supervisors member; and direct Internal Audit Department to provide staffing and support to the Audit Oversight Committee.

11/14/2017 #22	Approved Resolution No. 17-135, authorizing local agency investment in the County Pool and rescinding Resolution 97-550 requiring Board approval prior to such participation.
02/09/2016 # 27	Approved Resolution No. 16-014, repealing Resolution No. 95-271, re-establishing Orange County Audit Oversight Committee with revisions to stagger term of a newly created public member.

**County Audits in Last Three Years:**

Voluntary Pool Participant funds are deposited into the County treasury. The Auditor-Controller Internal Audit Division (A-C IAD) conducts quarterly reviews and annual audits of the treasury pursuant to Government Code sections 26920 and 27134. The table below summarizes the results of the most recently completed audits.

<b>Audit</b>	<b>Most Recent Report</b>	<b>Finding</b>
Quarterly Statement of Assets	September 30, 2023	No material modifications required.
Annual Statement of Assets	June 30, 2022*	No findings.
Quarterly Portfolio Compliance	June 30, 2024	No compliance exceptions.
Annual Portfolio Compliance	June 30, 2022*	No compliance exceptions.

\* The fiscal year 2022-23 reports are in progress.

**FINANCIAL IMPACT:**

N/A

**STAFFING IMPACT:**

N/A

**ATTACHMENT(S):**

- Attachment A: Proposed Resolution Dissolving TOC and Establishing IOC
- Attachment B: Proposed Resolution Reestablishing AOC
- Attachment C: Proposed Resolution Terminating VPP
- Attachment D: TOC Resolution No. 95-946
- Attachment E: AOC Resolutions Nos. 16-014, 20-087
- Attachment F: VPP Resolution Nos. 88-134, 97-550, 17-135
- Attachment G: Government Code sections 27131, 27133, 27134
- Attachment H: Government Code section 53684
- Attachment I: Government Code section 26920