

Subject: Interest Apportionment Rate and Other Considerations

April 9, 2014

Dear Honorable Board Members,

Your fund balances in the County Treasury from October through December 2013 (Fiscal 2nd Quarter) earned an annualized interest rate of **.69%**. For comparison purposes, the LAIF (Local Agency Investment Fund) rate was **.26%**.

Yields remain more or less where they were at the end of the previous quarter. If “Fed-Speak” is an indicator of where interest rates are heading we should expect rates to remain low through 2014, potentially only increasing toward the end of 2015. Newly appointed Fed Chairwoman Janet Yellen gave her first press conference following the FOMC’s meeting in March where she announced that the Fed would further reduce its purchase of agency mortgage backed and longer term treasury securities by \$5 billion per month each.

In December 2012 former Fed Chairman Ben Bernanke suggested rates would increase as the national unemployment rate fell to 6.5%. With unemployment nearing this rate, Chairwoman Yellen emphasized that the Fed would supplement their unemployment objectives with a wide range of information, particularly labor market conditions and inflation, before raising rates. Inflation currently sits at 1.2% which is still well below the Fed’s target rate of 2%. In February the prices of consumer goods were the lowest since March 2011 and were even weaker when factoring in food and energy costs. With low prices and inflation persistently running below the Fed’s target rate there is little reason to expect rates to increase at this time.

This office has purchased securities whose maturities are laddered throughout this time frame and beyond, so we will have sufficient liquidity for investing should rates increase. Time will tell, however, as to when that will happen.

Let me know how I may be of service.

Sincerely,

John Bartholomew
Treasurer-Tax Collector

LAFCO
Cash Transactions Detail Report
Sorted by Fund - Fund
January 1, 2014 - January 1, 2014

Investment #	Fund	Issuer	Transaction Date	Receipt Number	Comment	Deposits	Withdrawals	Interest Received	Balance
LAFCo Trust									
3806	3806	Fund Participant	01/01/2014		Interest Earnings			123.15	123,484.75
Subtotal and Ending Balance						0.00	0.00	123.15	123,484.75
Total						0.00	0.00	123.15	123,484.75