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From the Los Angeles Times

Public agencies withdraw from O.C. investment pool

Although the amount is small, the actions reflect continuing unease with Treasurer Chriss Street's financial stewardship.

By Christian Berthelsen
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Four of the seven public agencies that voluntarily participate in Orange County's investment portfolio have withdrawn almost all their cash in recent months amid concerns over Treasurer Chriss Street, and others are reviewing whether to keep their money in the pool, according to public finance managers.

Voluntary investors in the pool make up a small fraction of the total, and the amount withdrawn -- just under \$4 million -- is a pittance in the county's overall \$6.95-billion investment fund.

But the withdrawals by the four agencies reflect the unease with which some public officials regard Street and underscore the county's continued aversion to financial risk 14 years after it filed for bankruptcy.

Since becoming treasurer more than a year ago, Street has been beset by investigations into his private business dealings before entering office and questions about his handling of county business.

"It was right when it started with Street, and we decided to pull our money out," said Trudy Ohlig-Hall, a board member with the Mesa Consolidated Water District, which withdrew \$1.75 million from the investment fund. "We just said, 'We're not comfortable with the situation, and we just need to make sure our money stays safe.'"

The Yorba Linda Water District withdrew \$1 million in August, though it left about \$130,000 in the county fund. Ric Collette, a district board member, said that the agency needed the money for capital projects, but that Street's troubles made it a good time to withdraw.

"We just felt what was going on with the current situation, when we looked at our investments where we have money, we just made a decision it would be better to pull out of that investment pool," Collette said.

The treasurer's office rejects the notion that the departures amount to a vote of no confidence in Street, noting that the agencies were small players, and that the portfolio's overall returns remain strong.

"Most of the voluntary participants had very small amounts of money in there to begin with," said Keith Rodenhuis, a spokesman for Street.

Most of the money in the fund -- which comes from the county and its school districts -- is required by law to be invested in Orange County's portfolio. The four voluntary participants that exited the pool made withdrawals totaling about \$3.8 million from August to December.

The Orange County Water District and the Municipal Water District of Orange County also pulled out.

The other voluntary investors -- the cities of Tustin and Villa Park and the Serrano Water District -- have kept funds totaling nearly \$2.2 million in the pool, although officials with Villa Park and Serrano say they will review that decision soon.

Tustin has roughly \$1.3 million on the fund. George Jeffries, the city treasurer, said he did not believe the county treasurer posed any great risk to the city's investments, particularly because the county's portfolio managers have remained. "The same people are doing it under the same policy," Jeffries said. "So we have no problem."

Street's troubles also weren't a factor in the Municipal Water District of Orange County's decision to leave the fund. Darcy Burke, a spokeswoman for the agency -- which withdrew \$1 million in two transactions in October and December -- said the district believed it could get better returns elsewhere. The treasurer's office, however, disputes that other funds offer better returns.

Street came into the treasurer's office as the hand-picked successor to now-Supervisor John Moorlach, whose management of the office for 12 years after the bankruptcy was largely admired.

But Street ran into trouble even before he was elected. Questions emerged about whether he engaged in self-dealing while overseeing the affairs of a bankrupt trucking firm, which has since become the subject of a federal investigation. Local prosecutors are examining whether he sought to steer contracts for county work to friends and business associates.

Street has denied wrongdoing.

Just last month, Street rattled supervisors with an announcement that a portion of the county's investments could be downgraded by credit rating agencies. He has said subsequent moves by financial houses have largely removed the threat, but supervisors this week hired a consultant to conduct a full-scale risk assessment of the county's investments.

Some of the agencies withdrawing their funds were drawn into the county's mess during the bankruptcy, and leaders pledged not to go through that again. The Orange County Water District, which had a balance as large as \$20 million with the fund in 2006, withdrew the last \$70,000 of its money in October, partly out of concern over Street's management.

The episode that raised a red flag, Orange County Water District officials said, occurred in January 2007. The agency did not receive an expected \$20,000 interest payment, and district officials were told by an employee at the treasurer's office that there was not enough money in the account to make the payment.

Treasury officials say that the shortfall was only a temporary dip caused by payments for other investments, and that the interest payment was not scheduled for a set date. The water district soon got its money, but memories of the incident lingered and word of it spread.

"I think we were operating on the basis that we were uncomfortable with some of the stories we were hearing on the treasurer," said Wes Bannister, a district board member. "It was just safer to get out than to get caught in another Orange County problem like we did before."

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