



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2022.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2022.

SUMMARY:

Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached exhibits provide a narrative portfolio review of economic and market conditions that support the investment activity during the October - December period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

DISCUSSION:

The U.S. economy during this period was characterized by strong labor market conditions as well as growth in consumer spending and business investments, which were primary contributing factors to mitigate the impacts of a possible recession. Inflation remained elevated during the quarter; however, Consumer Price Index (CPI) has moderated for five consecutive months from the June peak of 9.1% to the November reading of 7.1%. Interest rates on securities with maturities under 2-years saw the biggest increases during the quarter, while 3-to 5-year maturities fell slightly, and longer-maturities rose modestly. The yield curve remained near historically negative levels of inversion at year end.

On December 14, 2022, the Federal Open Market Committee (FOMC) voted to raise the Federal Funds target rate by 50 basis points (0.50%) to a new range of 4.25% to 4.50%, which was a modest down shift following four consecutive 75 basis point (0.75%) increases. Rapid decreases in personal consumption may have caused the Federal Reserve to ratchet back its tightening plans.

On December 31, 2022, the Monterey County investment portfolio contained an amortized book value of \$2,927,536,012 spread among 297 separate securities and funds. The par value of those funds was \$2,951,545,544 with a market value of \$2,847,146,415 or 97% of amortized book value. The portfolio's net earned income yield for the period was 1.78%. The portfolio produced an estimated quarterly income of \$11,952,629 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 441 days. The County Treasury continues to utilize shorter term debt to provide portfolio liquidity and enhanced investment opportunities in the current market environment.

The investment portfolio follows all applicable provisions of state law and the adopted Investment Policy and contains sufficient liquidity to meet all projected outflows over the next six months. Market value pricings were obtained through resources such as Bloomberg LLP, US Bank, and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the investment pool. The Treasury Quarterly Reports are also posted on the County Treasurer’s website. A monthly report of investment transactions is provided to the Board of Supervisors as required by Government Code 53607.

FINANCING:

The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. Investment earnings in the General Fund appear to be trending at a rate that will meet or exceed the FY 2022-23 budgeted total.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation supports the Administration initiative by providing transparency and accountability in the management of County funds in the Treasurer’s investment portfolio.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Mary A. Zeeb

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Attachments:

- Board Report
- Exhibit A - Investment Portfolio Review 12.31.22
- Exhibit B - Portfolio Management Report 12.31.22
- Exhibit C - Aging Summary 01.01.23

cc:

- Auditor-Controller - Internal Audit Section
- All depositors
- County Administrative Office
- County Counsel