



Monterey County Board of Supervisors

168 West Alisal Street,
1st Floor
Salinas, CA 93901
831.755.5066

Board Order

Upon motion of Supervisor Salinas, seconded by Supervisor Phillips and carried by those members present, the Board of Supervisors hereby:

Received and accepted the Treasurer's Report of Investments for the Quarter Ending September 30, 2016.

PASSED AND ADOPTED on this 1st day of November 2016, by the following vote, to wit:

AYES: Supervisors Armenta, Phillips, Salinas, Parker and Potter

NOES: None

ABSENT: None

I, Gail T. Borkowski, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 79 for the meeting on November 1, 2016.

Dated: November 7, 2016
File ID: 16-1209

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By *Danise Hancock*
Deputy

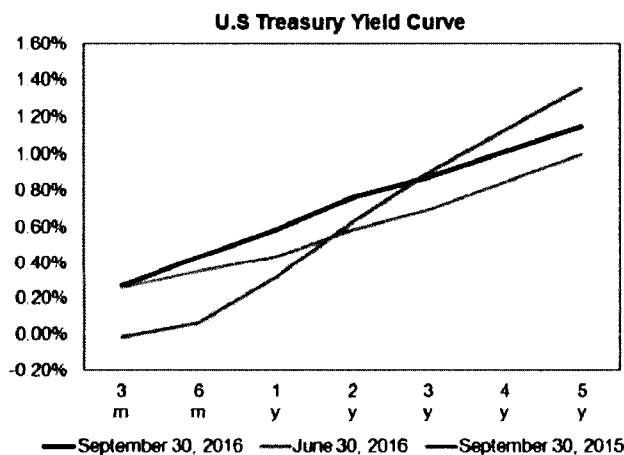
Exhibit A Investment Portfolio Review Quarter Ending September 30, 2016

OVERVIEW July 1, 2016 – September 30, 2016

During the July - September quarter yields on U.S. Treasuries increased modestly over the previous quarter, but still remain substantially lower than a year ago. The Federal Reserve's reluctance to raise rates this quarter put downward pressure on short and intermediate term yields, while the perception of a modest rise in labor costs and increase in commodity prices pressured long-term maturity yields upward. This movement heightened expectations for a possible hike in the Federal Rate for later this year. Inflation has continued to run below the Fed Committee's 2% objective, partly reflecting earlier declines in energy prices and decreasing prices of non-energy imports. In addition, the unemployment data shows that job gains have been solid on average.

U.S. TREASURY YIELD CURVE

- Longer-maturity U.S. Treasury yields have fallen substantially this year over concerns about global growth and global demand given negative yields abroad.
- On the shorter end of the curve, rates rose during the quarter, as market expectations for a rate hike this year inched up following speeches by Fed officials and the FOMC seeing a stronger case for increasing rates by year-end.



Yield Curve History

	9/30/15	6/30/16	9/30/16
3-Month	-0.02%	0.26%	0.28%
6-Month	0.07%	0.35%	0.43%
1-Year	0.31%	0.44%	0.59%
2-Year	0.63%	0.58%	0.76%
3-Year	0.90%	0.69%	0.88%
5-Year	1.36%	1.00%	1.15%
7-Year	1.74%	1.28%	1.42%
10-Year	2.04%	1.47%	1.60%
30-Year	2.85%	2.29%	2.32%

Source: Bloomberg

The County Treasury continues to outperform all of its portfolio benchmarks this quarter. Our investment strategy positions short term debt to provide liquidity and continues to take advantage of available higher yields on commercial paper, notes and negotiable CDs as well as maintaining federal

agencies with attractive rates. The following indicators reflect key aspects of the County’s investment portfolio in light of the above noted conditions:

1. Market Access – During the quarter, the majority of County investment purchases were in the area of Federal Agencies and highly rated corporate debt. The Treasurer continues to keep a high level of liquid assets reflecting the need to maintain levels of available cash to ensure the ability to meet all cash flow needs.
2. Diversification - The Monterey County Treasurer’s portfolio consists of 82 separate fixed income investments, all of which are authorized by the State of California Government Code 53601.

The portfolio asset spread is detailed in the table below:

Portfolio Asset Composition					
Corporate Notes	Negotiable CDs	Overnight Liquid Assets	US Treasuries	Federal Agencies	Commercial Paper
16%	9%	20%	10%	36%	11%

• Total may not equal 100% due to rounding

3. Credit Risk – Approximately 86% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, Negotiable CDs and other liquid funds. All assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. All corporate debt (16%) is rated in the higher levels of investment grade and all federal agency securities have AA ratings, or are guaranteed by the U.S. Treasury. The credit quality of the County’s portfolio continues to be high.

The portfolio credit composition is detailed in the table below:

Portfolio Credit Composition										
AAA	AAAm	AA+	AA	AA-	A+	A	A-1+ (Short-Term)	A-1 (Short-Term)	Aaf/S1+ (CalTrust)	Not Rated (LAIF/MMF)
1%	6%	48%	2%	10%	1%	3%	2%	14%	10%	3%

4. Liquidity Risk – Liquidity risk, as measured by the ability of the County’s Treasury to meet withdrawal demands on invested assets, was adequately managed during the July to September quarter. The portfolio’s average weighted maturity was 491 days, and the County maintained \$206M (18%) in overnight investments to provide immediate liquidity. In addition, the County maintained \$191M (17%) in securities with maturities under a year to provide additional liquidity.

PORTFOLIO CHARACTERISTICS

	<u>June 30, 2016</u>	<u>September 30, 2016</u>
Total Assets	\$1,299,086,359.71	\$1,118,029,849.61
Market Value	\$1,298,648,951.83	\$1,120,520,653.12
Days to Maturity	491	491
Yield	1.03%	1.54%
Estimated Earnings	\$3,429,732.19	\$4,530,360.12

FUTURE STRATEGY

The Treasurer has 64% invested in the 1-3 year maturity range to take advantage of the higher yields offered in that part of the yield curve. We will continue to run the portfolio to manage safety and risk while maximizing the rate of return.

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments September 30, 2016

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Money Market Accts - GC 53601(k)(2)												
SYS11672	11672	BlackRock			0.00	0.00	0.00	0.337			0.337	
SYS11830	11830	Federated		07/01/2016	0.00	0.00	0.00	0.101	Aaa	AAA	0.101	
SYS11578	11578	Fidelity Investments			0.00	0.00	0.00	0.439	Aaa	AAA	0.439	
Subtotal and Average			12,147,162.22		0.00	0.00	0.00				0.000	
State Pool - GC 16429.1												
SYS11361	11361	LAIF			30,000,000.00	30,000,000.00	30,000,000.00	0.546			0.546	
Subtotal and Average			46,304,347.83		30,000,000.00	30,000,000.00	30,000,000.00				0.546	
CALTRUST/CAMP - GC 53601(p)												
SYS11801	11801	CalTrust			110,000,000.00	110,000,000.00	110,000,000.00	0.800	Aaa	AAA	0.800	
SYS10379	10379	Calif. Asset Mgmt			65,000,000.00	65,000,000.00	65,000,000.00	0.628		AAA	0.628	
SYS11961	11961	Calif. Asset Mgmt			465,959.07	465,959.07	465,959.07	0.634		AAA	0.634	
Subtotal and Average			166,101,828.64		175,465,959.07	175,465,959.07	175,465,959.07				0.736	
SWEEP ACCOUNT-MORG STNLY												
SYS12041	12041	Morgan Stanley			428,261.04	428,261.04	428,261.04	0.289			0.289	
Subtotal and Average			1,571,171.82		428,261.04	428,261.04	428,261.04				0.289	
Negotiable CDs - GC 53601 (i)												
13606AM70	12093	Canadian Imperial Bank NY		07/29/2016	20,000,000.00	20,014,000.00	20,000,000.00	1.100	P-1	A-1	1.100	02/23/2017
40428AR58	12047	HSBC Securites		11/18/2015	14,000,000.00	14,000,000.00	14,000,000.00	1.540	Aa2	AA-	1.540	11/17/2017
78009NZZ2	12072	Royal Bank of Canada		03/15/2016	18,000,000.00	18,000,000.00	18,000,000.00	1.700	Aa3	AA-	1.700	03/09/2018
83050FBG5	12046	Skandinaviska Enskilada Banken		11/17/2015	14,000,000.00	14,000,000.00	14,000,000.00	1.480	Aa3	A+	1.501	11/16/2017
86958DH54	12048	Svenska Handelsbanken NY		11/24/2015	14,000,000.00	14,007,000.00	14,000,000.00	1.275			1.160	08/24/2017
89113E5E2	12073	Toronto Dominion Bank		03/16/2016	18,000,000.00	18,000,000.00	18,000,000.00	1.720	Aa1	AA-	1.744	03/14/2018
Subtotal and Average			91,913,043.48		98,000,000.00	98,021,000.00	98,000,000.00				1.457	
Medium Term Notes - GC 53601(k)												
0258M0DP1	12088	American Express Credit		06/27/2016	10,000,000.00	10,204,100.00	10,164,358.33	2.250	A2	A-	1.660	08/15/2019
037833BQ2	12066	Apple Inc Corp Notes		02/23/2016	6,000,000.00	6,067,980.00	5,999,186.08	1.700	Aa1	AA+	1.706	02/22/2019
084664BS9	12031	Berkshire Hathaway Finance		04/24/2015	10,000,000.00	10,034,100.00	10,053,989.74	1.600	Aa2	AA	0.724	05/15/2017
084670BX5	12098	Berkshire Hathaway Finance		08/15/2016	2,415,000.00	2,413,695.90	2,414,728.71	1.150	Aa2	AA	1.156	08/15/2018
166764AE0	12049	Chevron Corp. Global		11/25/2015	8,175,000.00	8,247,021.75	8,202,520.97	1.718	Aa1	AA	1.519	06/24/2018

Portfolio INVT
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Medium Term Notes - GC 53601(k)												
17275RBG6	12104	Cisco Systems Inc Corp		09/20/2016	9,000,000.00	9,007,830.00	8,990,111.75	1.400	A1		1.438	09/20/2019
172967KS9	12085	Citibank		06/09/2016	3,840,000.00	3,869,222.40	3,838,210.66	2.050	Baa1	A-	2.068	06/07/2019
25468PDH6	12064	The Walt Disney Copr		01/08/2016	2,710,000.00	2,741,300.50	2,707,252.91	1.650	A2	A	1.696	01/08/2019
369604BC6	12010	General Electric		01/23/2015	10,000,000.00	10,482,000.00	10,474,699.90	5.250	Aa	AA	1.150	12/06/2017
38141GVT8	12074	Goldman Sachs		04/25/2016	1,415,000.00	1,424,423.90	1,411,634.50	2.000	A3	BBB+	2.096	04/25/2019
38141GVT8	12075	Goldman Sachs		04/26/2016	7,210,000.00	7,258,018.60	7,206,048.47	2.000	A3	BBB+	2.022	04/25/2019
02665WBA8	12068	American Honda Finance		02/23/2016	3,780,000.00	3,812,167.80	3,779,396.74	1.700	A1	A+	1.707	02/22/2019
02665WBE0	12091	American Honda Finance		07/12/2016	2,500,000.00	2,485,350.00	2,497,682.87	1.200	A1	A+	1.234	07/12/2019
459200JE2	12067	IBM Corp Notes		02/19/2016	20,000,000.00	20,288,000.00	19,993,358.56	1.800			1.812	05/17/2019
24422ETE9	12063	John Deere Captital Corp		01/08/2016	8,300,000.00	8,436,784.00	8,299,623.27	1.950	A2	A	1.952	01/08/2019
478160BF0	12000	Johnson & Johnson		12/23/2014	2,000,000.00	2,000,100.00	2,000,000.00	0.700	Aaa	AAA	0.700	11/28/2016
46625HQU7	12081	JP Morgan Chase		05/26/2016	10,000,000.00	10,056,300.00	10,014,469.98	1.850	A3	A	1.789	03/22/2019
594918BN3	12095	MICROSOFT CORP		08/08/2016	6,500,000.00	6,479,265.00	6,493,633.55	1.100	Aaa	AAA	1.135	08/08/2019
713448DE5	12070	Pepsico Inc Corp Note		02/24/2016	3,850,000.00	3,875,564.00	3,849,108.25	1.500	A1	A	1.510	02/22/2019
717081DU4	12083	PFIZER INC		06/03/2016	10,000,000.00	10,059,300.00	9,989,845.56	1.450	A1	AA	1.489	06/03/2019
89233P5S1	11839	Toyota Motor Corporation		02/29/2012	5,000,000.00	5,010,750.00	5,006,317.54	2.050	Aa	AA	1.580	01/12/2017
89236TCA1	12009	Toyota Motor Corporation		01/16/2015	10,000,000.00	10,037,500.00	10,021,250.56	1.450	Aa	AA	1.280	01/12/2018
89233P6S0	12018	Toyota Motor Corporation		03/30/2015	10,000,000.00	10,008,900.00	10,014,238.23	1.250	Aaa	AA	1.107	10/05/2017
94974BFG0	12021	Wells Fargo & Company		04/07/2015	10,000,000.00	10,012,700.00	10,042,543.54	1.500	Aaa	AA	1.164	01/16/2018
94974BFU9	12089	Wells Fargo & Company		06/27/2016	10,000,000.00	10,138,500.00	10,160,154.19	2.125	A2	A	1.483	04/22/2019
Subtotal and Average			177,454,709.88		182,695,000.00	184,450,873.85	183,624,364.86				1.485	
Commercial Paper Disc.- GC 53601(h)												
06366GQH5	12086	Bank of Montreal Chicago		06/24/2016	20,000,000.00	19,891,800.00	19,905,160.67	1.022	P-1	A-1	1.044	03/17/2017
06538BKR3	12076	Bank of Tokyo-MITS		04/25/2016	20,000,000.00	19,992,400.00	19,988,133.33	0.890	P-1	A-1	0.909	10/25/2016
09659BLJ7	12079	BNP Paribas NY		05/24/2016	20,000,000.00	19,980,600.00	19,975,466.67	0.920	P-1	A-1	0.924	11/18/2016
22533TQ66	12102	Credit Agricole CIB NY		09/07/2016	20,000,000.00	19,899,000.00	19,894,266.67	1.220	P-1	A-1	1.227	03/06/2017
4497WONQ7	12092	ING		07/29/2016	20,000,000.00	19,931,638.86	19,931,638.86	1.070	P-1	A-1	1.076	01/24/2017
21687AMT7	12087	Rabobank Nederland		06/24/2016	20,000,000.00	19,959,000.00	19,958,433.33	0.860	P-1	A-1	0.878	12/27/2016
Subtotal and Average			111,837,396.55		120,000,000.00	119,654,438.86	119,653,099.53				1.010	
Fed Agcy Coupon Sec - GC 53601(f)												
3133EEFE5	12008	Federal Farm Credit Bank		01/12/2015	10,000,000.00	10,043,400.00	10,017,877.27	1.125	Aaa	AA	0.975	12/18/2017
3133EEMA5	12011	Federal Farm Credit Bank		01/30/2015	10,000,000.00	10,136,700.00	10,006,208.25	1.500	Aaa	AA	1.480	12/30/2019
3133EELZ1	12012	Federal Farm Credit Bank		02/02/2015	10,000,000.00	10,021,400.00	10,016,182.59	1.000	Aaa	AA	0.890	03/29/2018

Exhibit B

Monterey County Portfolio Management Portfolio Details - Investments September 30, 2016

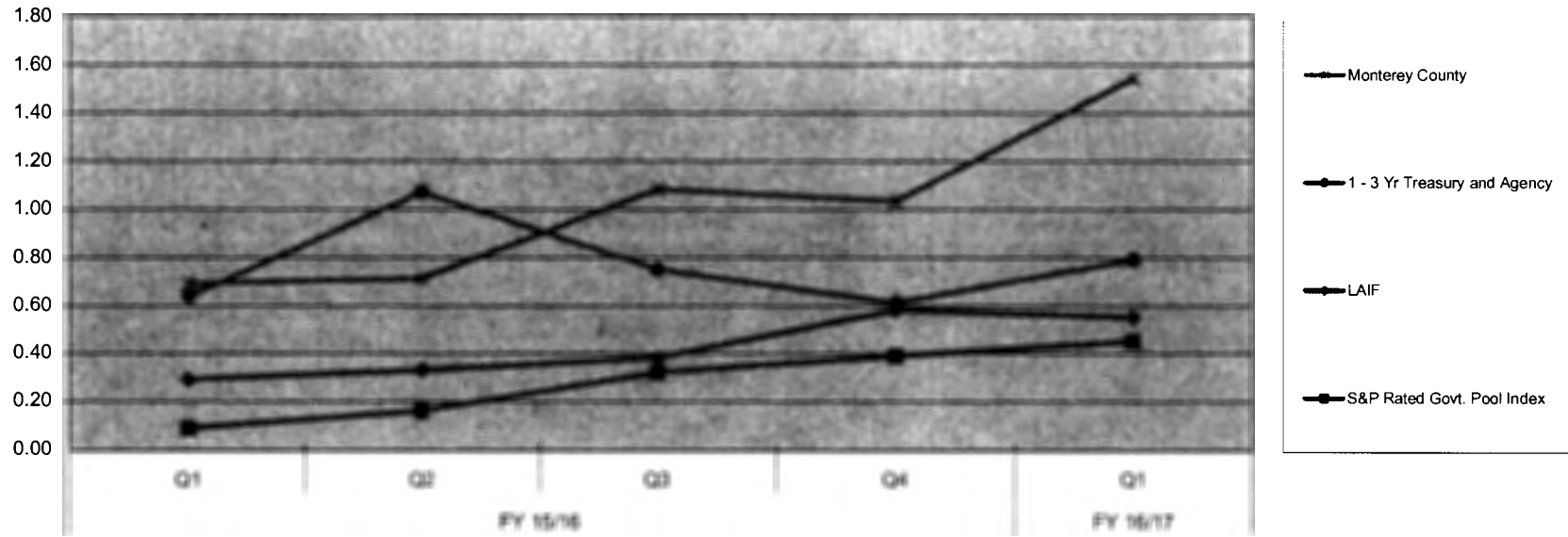
CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM	Maturity Date
Fed Agcy Coupon Sec - GC 53601(f)												
3133EETE0	12020	Federal Farm Credit Bank		04/01/2015	10,000,000.00	10,049,900.00	10,027,449.48	1.125	Aaa	AA	0.932	03/12/2018
313378A43	11925	Federal Home Loan Bank		05/02/2013	10,000,000.00	10,081,500.00	10,086,995.54	1.375	Aaa	AA	0.758	03/09/2018
313383A68	11928	Federal Home Loan Bank		06/13/2013	10,000,000.00	10,000,300.00	10,000,000.00	1.080	Aaa	AA	1.080	06/13/2018
313378QK0	11966	Federal Home Loan Bank		04/04/2014	10,000,000.00	10,220,800.00	10,013,198.75	1.875	Aaa	AA	1.818	03/08/2019
3130A4Q70	12032	Federal Home Loan Bank		04/23/2015	10,000,000.00	10,022,000.00	10,021,046.97	1.000	Aaa	AA+	0.811	11/17/2017
3130A8BD4	12082	Federal Home Loan Bank		05/27/2016	32,000,000.00	32,122,880.00	31,935,596.60	0.875	Aaa	AA+	0.992	06/29/2018
3130A8DB6	12084	Federal Home Loan Bank		06/03/2016	16,935,000.00	17,005,280.25	16,928,651.69	1.125	Aaa	AA+	1.139	06/21/2019
3130A8DB6	12090	Federal Home Loan Bank		07/12/2016	26,000,000.00	26,107,900.00	26,229,055.34	1.125	Aaa	AA+	0.797	06/21/2019
3130A8PK3	12097	Federal Home Loan Bank		08/15/2016	18,000,000.00	17,929,800.00	17,924,906.63	0.625	Aaa	AA+	0.853	08/07/2018
3130A8BD4	12099	Federal Home Loan Bank		08/15/2016	15,250,000.00	15,308,560.00	15,253,134.47	0.875	Aaa	AA+	0.863	06/29/2018
3130A9AE1	12101	Federal Home Loan Bank		08/29/2016	17,500,000.00	17,492,300.00	17,488,157.51	0.875	Aaa	AA+	0.909	10/01/2018
3134G3S50	11887	Federal Home Loan Mtg Corp		11/30/2012	10,000,000.00	10,002,400.00	10,000,534.79	0.625	Aaa	AA	0.560	11/01/2016
3134G42G2	11917	Federal Home Loan Mtg Corp		04/30/2013	10,000,000.00	10,000,100.00	10,000,000.00	1.050	Aaa	AA	1.050	04/30/2018
3134G43F3	11920	Federal Home Loan Mtg Corp		04/30/2013	10,000,000.00	10,000,800.00	10,000,000.00	1.020	Aaa	AA	1.020	04/30/2018
3134G43V8	11923	Federal Home Loan Mtg Corp		05/15/2013	10,000,000.00	10,000,800.00	9,999,675.56	1.050	Aaa	AA	1.052	05/15/2018
3137EADL0	11987	Federal Home Loan Mtg Corp		08/25/2014	10,000,000.00	10,031,200.00	9,990,146.97	1.000	Aaa	AA	1.101	09/29/2017
3137EADZ9	12100	Federal Home Loan Mtg Corp		08/29/2016	17,500,000.00	17,577,700.00	17,573,888.11	1.125	Aaa	AA+	0.956	04/15/2019
3137EAE7	12103	Federal Home Loan Mtg Corp		09/16/2016	10,150,000.00	10,145,331.00	10,145,723.26	0.875	Aaa	AA+	0.896	10/12/2018
3135G0XA6	11924	Federal National Mtg Assn		05/21/2013	10,000,000.00	10,000,900.00	10,000,000.00	1.030	Aaa	AA	1.030	05/21/2018
3135G0XK4	11927	Federal National Mtg Assn		05/30/2013	10,000,000.00	9,995,600.00	10,000,000.00	1.050	Aaa	AA	1.050	05/25/2018
3135G0WJ8	11929	Federal National Mtg Assn		05/28/2013	10,000,000.00	10,008,900.00	9,972,918.57	0.875	Aaa	AA	1.045	05/21/2018
3136FTS67	12013	Federal National Mtg Assn		02/03/2015	10,000,000.00	10,171,500.00	10,127,178.96	1.700	Aaa	AA	1.157	02/27/2019
3135G0YM9	12033	Federal National Mtg Assn		04/23/2015	10,000,000.00	10,204,000.00	10,156,769.31	1.875	Aaa	AA+	1.060	09/18/2018
3135G0RT2	12039	Federal National Mtg Assn		10/22/2015	10,000,000.00	10,014,900.00	10,018,677.25	0.875	Aaa	AA+	0.720	12/20/2017
3135G0TG8	12040	Federal National Mtg Assn		10/22/2015	10,000,000.00	10,013,400.00	10,016,685.35	0.875	Aaa	AA+	0.750	02/08/2018
3135G0J53	12069	Federal National Mtg Assn		02/23/2016	21,150,000.00	21,180,033.00	21,110,133.32	1.000	Aaa	AA+	1.080	02/26/2019
3135G0N33	12094	Federal National Mtg Assn		08/08/2016	18,675,000.00	18,602,354.25	18,633,634.53	0.875	Aaa	AA+	0.954	08/02/2019
3135G0J53	12096	Federal National Mtg Assn		08/09/2016	7,900,000.00	7,911,218.00	7,918,108.40	1.000	Aaa	AA+	0.903	02/26/2019
Subtotal and Average			372,997,727.85		401,060,000.00	402,403,856.50	401,612,535.47				0.980	
US Treasury Note-GC 53601(b)												
912828A34	12042B	U.S. Treasury		11/10/2015	5,290,000.00	5,338,773.80	5,290,000.00	1.250	Aaa	AA	1.250	11/30/2018
912828A34	12044	U.S. Treasury		11/16/2015	17,000,000.00	17,156,740.00	17,015,123.87	1.250	Aaa	AA	1.208	11/30/2018
912828VE7	12045	U.S. Treasury		11/16/2015	17,000,000.00	17,067,150.00	16,981,737.21	1.000	Aaa	AA+	1.066	05/31/2018
912828A34	12052	U.S. Treasury		11/25/2015	10,000,000.00	10,092,200.00	10,001,681.71	1.250	Aaa	AA	1.242	11/30/2018

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US Treasury Note-GC 53601(b)												
912828WD8	12056	U.S. Treasury		12/22/2015	40,000,000.00	40,362,400.00	40,011,374.52	1.250	Aaa	AA+	1.236	10/31/2018
912828VE7	12062	U.S. Treasury		12/22/2015	20,000,000.00	20,079,000.00	19,945,712.33	1.000	Aaa	AA+	1.166	05/31/2018
Subtotal and Average			186,492,842.04		109,290,000.00	110,096,263.80	109,245,629.64				1.194	
Total and Average			1,166,820,230.29		1,116,939,220.11	1,120,520,653.12	1,118,029,849.61				1.079	

Exhibit C Monterey County Historical Yields vs. Benchmarks



Quarterly Yield	FY 15/16				FY 16/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Monterey County	0.69	0.71	1.08	1.03	1.54			
1 - 3 Yr Treasury and Agency	0.64	1.07	0.75	0.61	0.79			
LAIF	0.29	0.33	0.38	0.58	0.55			
S&P Rated Govt. Pool Index	0.09	0.16	0.32	0.39	0.45			

The S&P Index yields are obtained from Bloomberg

The 1-3 Yr Treas and Agy yields are obtained from the B of A Merrill Lynch Global Bond Indices/Bloomberg



**Exhibit D
Monterey County
Aging Report
By Maturity Date
As of October 1, 2016**

			Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(10/01/2016 - 10/01/2016)	8 Maturities	205,894,220.11	18.43%	205,894,220.11	205,894,220.11
Aging Interval:	1 - 90 days	(10/02/2016 - 12/30/2016)	5 Maturities	72,000,000.00	6.45%	71,922,568.12	71,934,500.00
Aging Interval:	91 - 365 days	(12/31/2016 - 10/01/2017)	8 Maturities	119,000,000.00	10.65%	118,781,520.45	118,819,488.86
Aging Interval:	366 - 730 days	(10/02/2017 - 10/01/2018)	31 Maturities	384,340,000.00	34.41%	385,033,504.55	385,659,407.65
Aging Interval:	731 - 1095 days	(10/02/2018 - 10/01/2019)	29 Maturities	325,705,000.00	29.16%	326,391,828.13	328,076,336.50
	1096 - 1460 days	(10/02/2019 - 09/30/2020)	1 Maturities	10,000,000.00	0.90%	10,006,208.25	10,136,700.00
	1461 days and after	(10/01/2020 -)	0 Maturities	0.00	0.00%	0.00	0.00
Total for			82 Investments	1,116,939,220.11	100.00	1,118,029,849.61	1,120,520,653.12

