



Monterey County

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Board Report

Legistar File Number: 17-1070

October 24, 2017

Introduced: 10/12/2017

Version: 1

Current Status: Agenda Ready

Matter Type: General Agenda Item

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending September 30, 2017.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending September 30, 2017.

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 July-September period, the investment portfolio position by investment type, a listing of historical Monterey County Treasury Pool yields versus benchmarks, and the investment portfolio by maturity range.

DISCUSSION:

During the July-September quarter, treasury yields continued to slowly move upward in response to the Fed's efforts to normalize policy by raising the interest rates. However, current inflation and growth expectations are keeping longer term yields relatively low. Despite the impact of the Hurricanes in the 1st quarter, inflation pressures continue to decline from levels at the beginning of the year and the labor market remains strong. The unemployment rate went down to 4.2%, hitting the lowest level in more than 16 years and the average hourly earnings, an important gauge of wage growth, grew 2.9% over the past 12 years providing a positive outlook for a future rate hike.

On September 30, 2017, the Monterey County investment portfolio contained an amortized book value of \$1,291,399,877.18 spread among 116 separate securities and funds. The par value of those funds was \$1,291,516,016.16, with a market value of \$1,289,937,988.14 or 99.9% of amortized book value. The portfolio's net earned income yield for the period was 1.25%. The portfolio produced an estimated quarterly income of \$ 4,012,209.73 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 339 days. The County Treasury outperformed most of the portfolio benchmarks due to a consistent investment strategy that uses short term debt to provide liquidity while also taking advantage of higher rates in the one to three-year investment range.

The investment portfolio was in compliance with 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, Union Bank of California and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the County investment pool and the Treasury Oversight Committee. In addition, the report will be published on the County Treasurer's web site. 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. We estimate that the investment earnings in the General Fund will meet or exceed budgeted revenue.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation supports the Administration initiative by reporting on the county investments thereby providing transparency and accountability in the management of county funds.

Economic Development

Administration

Health & Human Services

Infrastructure

Public Safety

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Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5474

All attachments are on file with the Clerk of the Board:

Exhibit A - Investment Portfolio Review 09.30.17

Exhibit B - Portfolio Management Report 09.30.17

Exhibit C - Monterey County Historical Yields vs. Benchmarks 09.30.17

Exhibit D - Aging Report 10.01.17

cc:

County Administrative Office

County Counsel

Auditor-Controller - Internal Audit Section

All depositors

Treasury Oversight Committee