



Monterey County

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Board Report

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Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2017.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 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 October - December 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 October - December quarter, the short-term treasury yields continued to slowly move upward in response to the Federal Reserve's (Fed's) efforts to normalize policy by raising interest rates. The core personal consumption expenditures (PCE) price index, the Fed's preferred measure of inflation, remained at 1.4% year-over-year in November. The Fed forecasts inflation to gradually rise in 2018 further towards their 2% run target, and reaching the 2% target in the beginning of 2019. In addition, U.S. Recession Indicators show that recession risks appear low in the near term. Labor markets continued strong into the year-end as the unemployment rate remained at 4.1%, the lowest level in more than 16 years.

On December 31, 2017, the Monterey County investment portfolio contained an amortized book value of \$1,556,463,937.33 spread among 117 separate securities and funds. The par value of those funds was \$1,558,052,557.25 with a market value of \$1,551,822,253.16 or 99.7% of amortized book value. The portfolio's net earned income yield for the period was 1.27%. The portfolio produced an estimated quarterly income of \$ 4,456,424.41 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 261 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 is 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 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 investment earnings in the General Fund will meet or exceed budgeted revenue

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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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 12.31.17
- Exhibit B - Portfolio Management Report 12.31.17
- Exhibit C - Monterey County Historical Yields vs. Benchmarks 12.31.17
- Exhibit D - Aging Report 01.01.18

cc:

- Auditor-Controller - Internal Audit Section
- All depositors
- Treasury Oversight Committee