



Monterey County

Board Order

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

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

Received and accepted the Treasurer's Report of Investments for the quarter ending December 31, 2012.

PASSED AND ADOPTED on this 29th day of January 2013, by the following vote, to wit:

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

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 76 for the meeting on January 29, 2013.

Dated: January 30, 2013
File Number: 13-0041

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

By *Denise Hancock*
Deputy

Exhibit A

Investment Portfolio Review Quarter Ending December 31, 2012

OVERVIEW – October 1 – December 31, 2012

During the October to December quarter the Treasury bond curve changed very little in the 0 – 5 year term. Yields in maturities of a year or less were down slightly, while longer maturities were slightly higher. The Federal Reserve announced plans to expand their Quantitative Easing program, and for the first time announced targets for unemployment and inflation that would influence their decision to raise interest rates. The Fed continued their assurances that they will keep the Fed Funds Rate at or below 0.25 percent but added that it would stay at that level until unemployment falls below 6.5% and inflation tops 2.5%. Congress continued to be unable to pass a bill to avoid the fiscal cliff until New Years day when they passed a bill that included increased revenues, but no cuts to spending. All of these factors helped contribute to many institution's continued investment in fixed income securities.

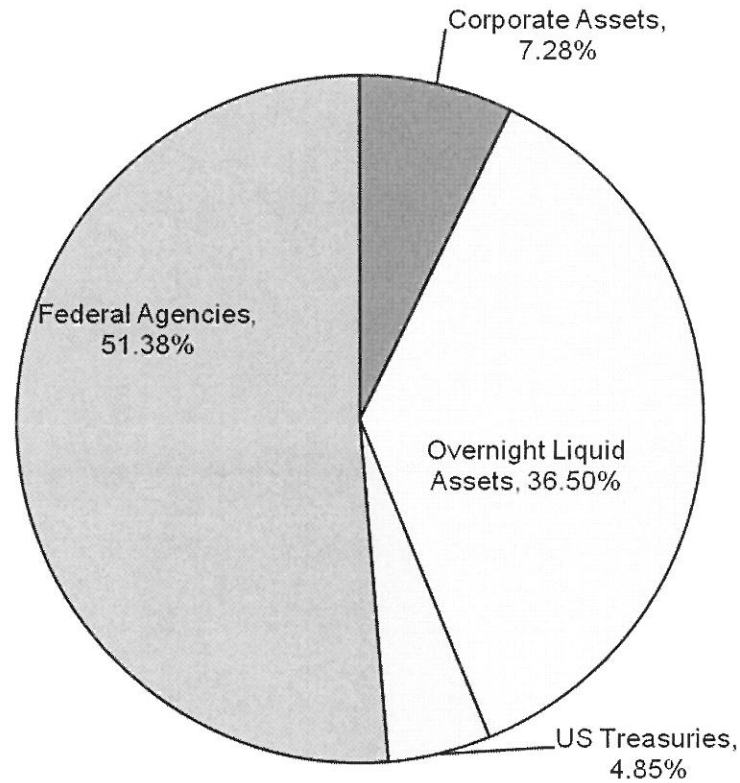
The County Treasury was able to outperform all of the portfolio benchmarks due to a consistent investment strategy that ladders short term debt to provide liquidity, while also taking advantage of higher rates by buying small amounts of longer term corporate and callable debt structures. The following indicators reflect key aspects of the County's investment portfolio in light of the above noted conditions:

1. Market Access – The U.S. Treasury continued to issue substantial amounts of debt instruments. The continued large issuance is due to their efforts to stimulate the economy by providing funding for financial institutions, social programs, and ongoing military funding requirements. Access to U.S. Treasuries has been plentiful, but yields have continued to remain low as investors seek safe havens from an uncertain world market. These issues have continued to keep yields low on Treasury bonds from October through December.

During the quarter, the majority of County investment purchases continue to be in U.S. Treasury and Agency markets with a continued small position in shorter term, highly rated (AA or better) Corporate bonds, Certificates of Deposits and highly rated (A1, P1), short term Commercial Paper. In addition, the Treasurer continues to keep a high level of overnight liquid assets, reflecting the need to maintain increased levels of available cash to ensure our ability to meet any cash flow needs.

2. Diversification - The Monterey County Treasurer's portfolio consists of fixed income investments, all of which are authorized by the State of California Government Code 53601.

The portfolio asset spread is detailed in the pie chart below:



- Difference in percent of overnight liquid assets to overnight investments from Exhibit D are due to rounding.

3. Credit Risk – Approximately 93% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities 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. The corporate debt (7.28%) is rated in the higher levels of investment grade. All federal agency securities have AA ratings, or they are guaranteed by the U.S. Treasury.
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 October to December quarter. The portfolio’s average weighted maturity was 425 days, and a large percentage (36.50%) of assets was held in immediately available funds.

PORTFOLIO CHARACTERISTICS

	<u>September 30, 2012</u>	<u>December 31, 2012</u>
Total Assets	\$939,341,502	\$1,033,515,337
Market Value	\$940,943,563	\$1,034,828,004
Days to Maturity	449	425
Yield	0.49%	0.49%
Estimated Earnings	\$1,159,315	\$1,211,697

FUTURE STRATEGY

The U.S. Treasury has continued a policy of heavy borrowing for stimulus programs, military funding and other additional needs. Despite the downgrade of U.S. debt by Standard and Poor's last year and the continued uncertainty in global markets; investors continue to prefer the safety of U.S. debt to other investment options.

Continued uncertainty about Congress' ability to work together and find a comprehensive solution to financial issues, and poor economic news from many areas of the world have continued to reinforce the cautious, risk averse attitude of investors. The increasing regulations on financial institutions; overall uncertainty in the ability of the U.S. government work together combined with an overall slowdown of the global economy continues to drag on our economic recovery. This is clearly reflected in the Federal Reserve's new mandate for continued low rates until specific economic targets are met. The current stability and slow but steady improvement of the U.S. economy ensures that our debt products will remain a safe haven for investors for the foreseeable future, which is good for our overall economic outlook, but ensures continued low rates until underlying conditions change.

In the near term the Treasurer believes short term yields will remain extremely low and will not begin to rise until there is a longer history of consistent improvement in the unemployment rate, or the Federal Reserve starts to see significant inflation in the core Consumer Price Index. The Treasurer's rolling investment ladder will access the short term Treasury and Agency market with expected yields over the next 90 days of less than one-quarter percent. In our efforts to continue to provide the safest vehicles for Treasury investments, the Treasurer will maintain a portfolio weighted with U.S. Treasuries, Federal Agency securities, and other highly liquid assets.

EXHIBIT B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2012

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	Days to Maturity	Maturity Date
Subtotal and Average			9,980,312.50		10,000,000.00	9,982,000.00	9,984,736.11				157	
Fed Agcy Coupon Sec - GC 53601(f)												
31331KHL7	11763	Federal Farm Credit Bank		04/15/2011	10,000,000.00	10,020,900.00	10,001,430.00	0.850	Aaa	AA	104	04/15/2013
3133EAKP2	11844	Federal Farm Credit Bank		04/04/2012	10,000,000.00	9,990,500.00	10,000,000.00	1.360	Aaa	AA	1,554	04/04/2017
3133EABU1	11845	Federal Farm Credit Bank		04/02/2012	10,000,000.00	10,000,300.00	9,999,475.00	0.150	Aaa	AA	36	02/06/2013
3133EAHA9	11846	Federal Farm Credit Bank		04/02/2012	10,000,000.00	10,001,600.00	9,999,662.17	0.200	Aaa	AA	71	03/13/2013
3133EAPB8	11857	Federal Farm Credit Bank		05/02/2012	10,000,000.00	10,032,700.00	10,000,000.00	1.230	Aaa	AA	1,582	05/02/2017
3133EAF86	11864	Federal Farm Credit Bank		08/07/2012	10,000,000.00	10,030,400.00	10,000,000.00	0.970	Aaa	AA	1,679	08/07/2017
3133EAF60	11867	Federal Farm Credit Bank		08/06/2012	10,000,000.00	10,012,100.00	10,000,000.00	0.430	Aaa	AA	947	08/06/2015
3133EAZF8	11868	Federal Farm Credit Bank		08/03/2012	10,000,000.00	10,000,400.00	10,000,000.00	0.625	Aaa	AA	1,177	03/23/2016
3133XQU34	11767	Federal Home Loan Bank		04/28/2011	10,000,000.00	10,143,000.00	10,116,581.04	3.625	Aaa	AA	148	05/29/2013
313376Y58	11832	Federal Home Loan Bank		02/01/2012	10,000,000.00	10,000,000.00	9,999,766.67	0.125	Aaa	AA	31	02/01/2013
313376TY1	11834	Federal Home Loan Bank		02/15/2012	10,000,000.00	10,000,200.00	9,999,893.30	0.160	Aaa	AA	17	01/18/2013
313376RD9	11836	Federal Home Loan Bank		02/23/2012	10,000,000.00	10,000,100.00	10,000,038.86	0.180	Aaa	AA	8	01/09/2013
313378GF2	11841	Federal Home Loan Bank		02/28/2012	10,000,000.00	10,000,100.00	9,998,889.52	0.125	Aaa	AA	51	02/10/2013
313376ZL2	11842	Federal Home Loan Bank		02/28/2012	10,000,000.00	10,000,500.00	9,999,922.34	0.170	Aaa	AA	36	02/06/2013
313376NG6	11843	Federal Home Loan Bank		03/29/2012	10,000,000.00	10,000,200.00	10,000,004.56	0.190	Aaa	AA	13	01/14/2013
313378D24	11847	Federal Home Loan Bank		04/10/2012	10,000,000.00	10,001,400.00	9,999,591.26	0.200	Aaa	AA	64	03/06/2013
313372RK2	11849	Federal Home Loan Bank		04/12/2012	10,000,000.00	10,020,800.00	10,018,180.55	1.000	Aaa	AA	85	03/27/2013
3133XW7L7	11850	Federal Home Loan Bank		04/16/2012	10,000,000.00	10,005,400.00	10,005,351.32	1.500	Aaa	AA	15	01/16/2013
3133795A3	11853	Federal Home Loan Bank		04/20/2012	10,000,000.00	10,003,000.00	10,000,000.00	0.220	Aaa	AA	108	04/19/2013
313379BY4	11858	Federal Home Loan Bank		05/01/2012	10,000,000.00	10,000,200.00	9,997,779.11	0.125	Aaa	AA	119	04/30/2013
313378YY1	11860	Federal Home Loan Bank		05/08/2012	10,000,000.00	10,003,500.00	10,001,074.85	0.240	Aaa	AA	105	04/16/2013
313379FZ7	11865	Federal Home Loan Bank		07/30/2012	10,000,000.00	10,004,000.00	10,001,840.46	0.230	Aaa	AA	133	05/14/2013
313376DF9	11869	Federal Home Loan Bank		08/23/2012	10,000,000.00	10,007,100.00	10,004,773.76	0.310	Aaa	AA	135	05/16/2013
3133XXYX9	11872	Federal Home Loan Bank		08/29/2012	10,000,000.00	10,081,900.00	10,078,985.96	1.875	Aaa	AA	171	06/21/2013
313379D89	11873	Federal Home Loan Bank		08/29/2012	10,000,000.00	10,000,200.00	9,998,250.00	0.125	Aaa	AA	122	05/03/2013
313380RB5	11877	Federal Home Loan Bank		09/14/2012	10,000,000.00	10,002,100.00	10,000,000.00	0.180	Aaa	AA	164	06/14/2013
313380EC7	11878	Federal Home Loan Bank		09/17/2012	10,000,000.00	9,987,700.00	9,954,175.01	0.750	Aaa	AA	1,711	09/08/2017
313380XB8	11881	Federal Home Loan Bank		10/17/2012	10,000,000.00	9,991,500.00	9,997,154.17	0.625	Aaa	AA	1,385	10/17/2016
3133803P0	11883	Federal Home Loan Bank		11/07/2012	10,000,000.00	10,004,500.00	10,003,214.04	0.250	Aaa	AA	199	07/19/2013
313370TW8	11888	Federal Home Loan Bank		12/05/2012	10,000,000.00	10,564,700.00	10,539,438.70	2.000	Aaa	AA	1,347	09/09/2016
313379Z36	11889	Federal Home Loan Bank		12/06/2012	10,000,000.00	10,004,900.00	10,003,785.65	0.250	Aaa	AA	185	07/05/2013
313380S40	11895	Federal Home Loan Bank		12/12/2012	10,000,000.00	10,000,700.00	10,001,620.65	0.190	Aaa	AA	261	09/19/2013
313381K46	11896	Federal Home Loan Bank		12/20/2012	10,000,000.00	9,999,300.00	10,000,000.00	0.170	Aaa	AA	262	09/20/2013
3134G3D20	11820	Federal Home Loan Mfg Corp		12/14/2011	10,000,000.00	10,028,300.00	10,000,000.00	1.250	Aaa	AA	1,260	06/14/2016
3137EACG2	11835	Federal Home Loan Mfg Corp		02/15/2012	10,000,000.00	10,002,400.00	10,002,622.22	1.375	Aaa	AA	8	01/09/2013

Portfolio INVT
AP
PM (PRF_PM2) 7.3.0

EXHIBIT B

Monterey County Portfolio Management Portfolio Details - Investments December 31, 2012

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	Days to Maturity	Maturity Date
Fed Agcy Coupon Sec - GC 53601(f)												
3134G3RV4	11838	Federal Home Loan Mtg Corp		03/21/2012	10,000,000.00	10,075,600.00	10,000,000.00	0.800	Aaa	AA	993	09/21/2015
3137EAC56	11851	Federal Home Loan Mtg Corp		04/18/2012	10,000,000.00	10,015,000.00	10,013,584.59	0.750	Aaa	AA	86	03/28/2013
3137EAD00	11852	Federal Home Loan Mtg Corp		04/18/2012	10,000,000.00	10,127,500.00	9,972,343.13	1.000	Aaa	AA	1,527	03/08/2017
3134G3WB2	11862	Federal Home Loan Mtg Corp		06/07/2012	10,000,000.00	10,041,100.00	10,000,000.00	1.300	Aaa	AA	1,618	06/07/2017
3137EACJ6	11866	Federal Home Loan Mtg Corp		08/02/2012	10,000,000.00	10,043,000.00	10,041,054.92	1.625	Aaa	AA	104	04/15/2013
3134G3H52	11871	Federal Home Loan Mtg Corp		09/12/2012	10,000,000.00	10,028,400.00	10,000,000.00	1.000	Aaa	AA	1,715	09/12/2017
3134G3K33	11875	Federal Home Loan Mtg Corp		09/27/2012	10,000,000.00	9,998,400.00	9,997,195.83	0.700	Aaa	AA	1,365	09/27/2016
3134G3S50	11887	Federal Home Loan Mtg Corp		11/30/2012	10,000,000.00	10,004,100.00	10,024,600.19	0.625	Aaa	AA	1,400	11/01/2016
3135G0HV8	11837	Federal National Mtg Assn		03/06/2012	10,000,000.00	10,005,700.00	9,974,916.67	1.200	Aaa	AA	1,525	03/06/2017
3135G0NX7	11870	Federal National Mtg Assn		09/13/2012	10,000,000.00	10,062,500.00	10,000,000.00	1.000	Aaa	AA	1,532	03/13/2017
3136G0B26	11874	Federal National Mtg Assn		09/27/2012	10,000,000.00	10,035,600.00	10,000,000.00	1.000	Aaa	AA	1,730	09/27/2017
3135G0NH2	11876	Federal National Mtg Assn		09/13/2012	10,000,000.00	10,031,800.00	9,994,364.04	0.950	Aaa	AA	1,695	08/23/2017
3136G04Q1	11884	Federal National Mtg Assn		11/20/2012	10,000,000.00	10,194,000.00	10,194,174.06	1.500	Aaa	AA	1,784	11/20/2017
3136G06Z9	11885	Federal National Mtg Assn		12/13/2012	10,000,000.00	9,974,600.00	10,000,000.00	0.650	Aaa	AA	1,442	12/13/2016
3135G0BR3	11893	Federal National Mtg Assn		12/12/2012	10,000,000.00	10,019,300.00	10,019,960.34	0.500	Aaa	AA	220	08/09/2013
31398AX31	11894	Federal National Mtg Assn		12/12/2012	10,000,000.00	10,065,800.00	10,068,515.32	1.250	Aaa	AA	231	08/20/2013
Subtotal and Average					510,000,000.00	511,669,000.00	511,024,210.26				672	
US Treasury Note-GC 53601(b)												
912828NN6	11771	U.S. Treasury		05/16/2011	10,000,000.00	10,046,100.00	10,020,607.81	1.000	Aaa	AA	195	07/15/2013
912828NH9	11880	U.S. Treasury		10/12/2012	10,000,000.00	10,045,300.00	10,042,968.75	1.125	Aaa	AA	165	06/15/2013
912828NN6	11882	U.S. Treasury		11/01/2012	10,000,000.00	10,046,100.00	10,043,441.77	1.000	Aaa	AA	195	07/15/2013
912828RD4	11891	U.S. Treasury		12/10/2012	10,000,000.00	9,997,700.00	9,996,777.95	0.125	Aaa	AA	242	08/31/2013
912828NU0	11892	U.S. Treasury		12/10/2012	10,000,000.00	10,037,500.00	10,036,665.20	0.750	Aaa	AA	226	08/15/2013
Subtotal and Average					50,000,000.00	50,172,700.00	50,140,460.88				205	
Federal Agency Step Up-GC 53601(f)												
3136FTA66	11829	Federal National Mtg Assn		01/25/2012	10,000,000.00	10,005,300.00	10,000,000.00	1.000	Aaa	AA	1,485	01/25/2017
3136G07K1	11886	Federal National Mtg Assn		12/06/2012	10,000,000.00	9,958,600.00	9,995,069.44	0.700	Aaa	AA	1,800	12/06/2017
Subtotal and Average					20,000,000.00	19,963,900.00	19,995,069.44				1,642	

Portfolio INVT
AP
PM (PRF_PM2) 7.3.0

EXHIBIT B

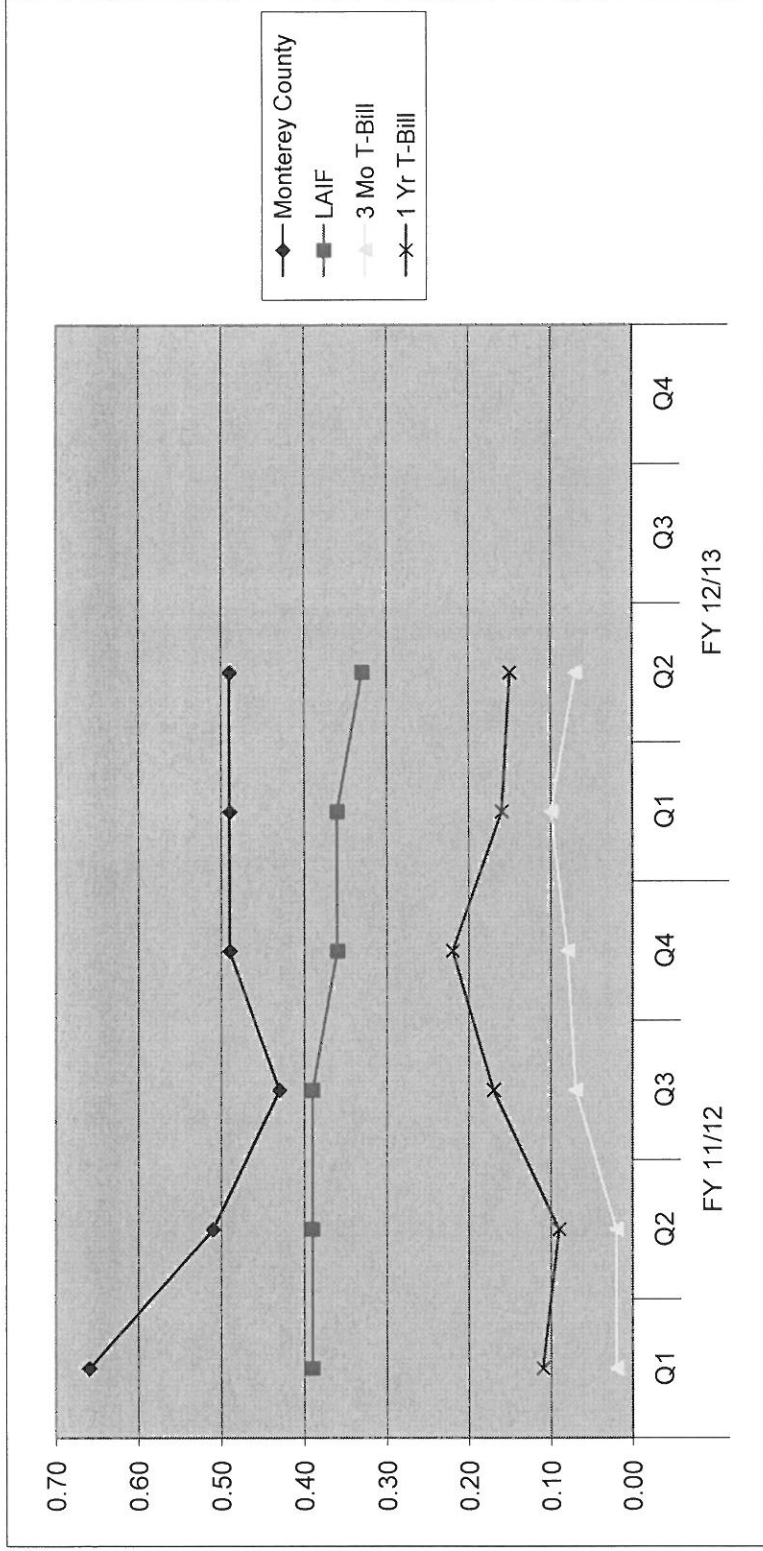
Monterey County Portfolio Management Portfolio Details - Investments December 31, 2012

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	Days to Maturity
		Total and Average	982,302,804.05		1,032,228,053.98	1,034,828,003.98	1,033,515,337.04				425

Exhibit C

Monterey County Historical Yields vs. Benchmarks



Quarterly Yield	FY 11/12				FY 12/13			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Monterey County	0.66	0.51	0.43	0.49	0.49	0.49	0.49	0.49
LAIF	0.39	0.39	0.39	0.36	0.36	0.33	0.33	0.33
3 Mo T-Bill	0.02	0.02	0.07	0.08	0.10	0.07	0.07	0.07
1 Yr T-Bill	0.11	0.09	0.17	0.22	0.16	0.15	0.15	0.15

- The 3Mo and 1 Yr T-Bill yields are obtained from the B of A Merrill Lynch Global Bond Indices



Exhibit D
Monterey County
Aging Report
As of January 1, 2013

Aging Interval:	(	01/01/2013	-	01/01/2013	)	9	Maturities	Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(	01/01/2013	-	01/01/2013	)	9	Maturities	377,228,053.98	36.55	377,228,053.98	377,228,053.98
Aging Interval: 1 - 30 days	(	01/02/2013	-	01/31/2013	)	6	Maturities	55,000,000.00	5.33	55,009,309.20	55,103,100.00
Aging Interval: 31 - 90 days	(	02/01/2013	-	04/01/2013	)	9	Maturities	90,000,000.00	8.72	90,056,462.98	90,146,300.00
Aging Interval: 91 - 180 days	(	04/02/2013	-	06/30/2013	)	13	Maturities	130,000,000.00	12.59	130,269,474.96	130,483,629.17
Aging Interval: 181 - 365 days	(	07/01/2013	-	01/01/2014	)	10	Maturities	100,000,000.00	9.69	100,194,588.13	100,238,752.02
Aging Interval: 366 - 730 days	(	01/02/2014	-	01/01/2015	)	2	Maturities	10,000,000.00	0.97	10,009,345.98	10,190,000.00
Aging Interval: 731 - 1095 days	(	01/02/2015	-	01/01/2016	)	5	Maturities	45,000,000.00	4.36	45,013,089.42	45,132,600.00
Aging Interval: 1096 days and after	(	01/02/2016	-	)	24	Maturities	225,000,000.00	21.80	225,735,012.39	226,795,336.56	
Total for						78	Investments		100.00	1,033,515,337.04	1,034,828,003.98

Investments within the Aging Period

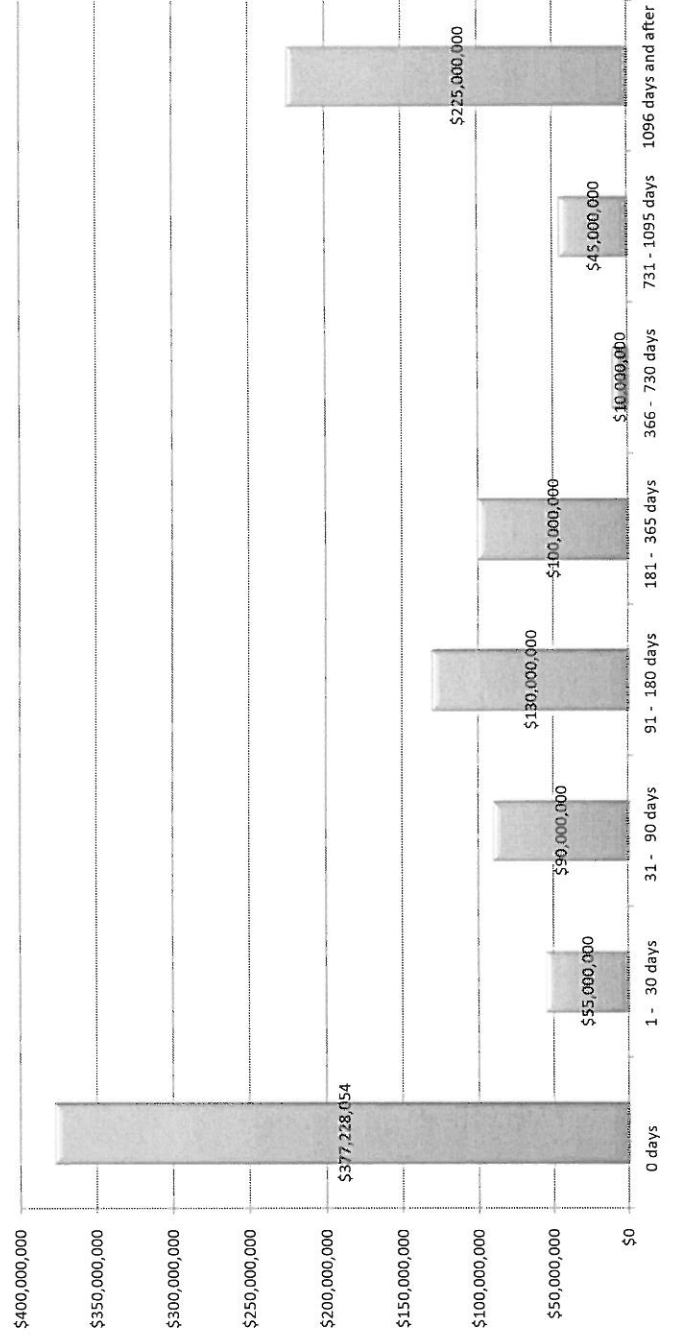
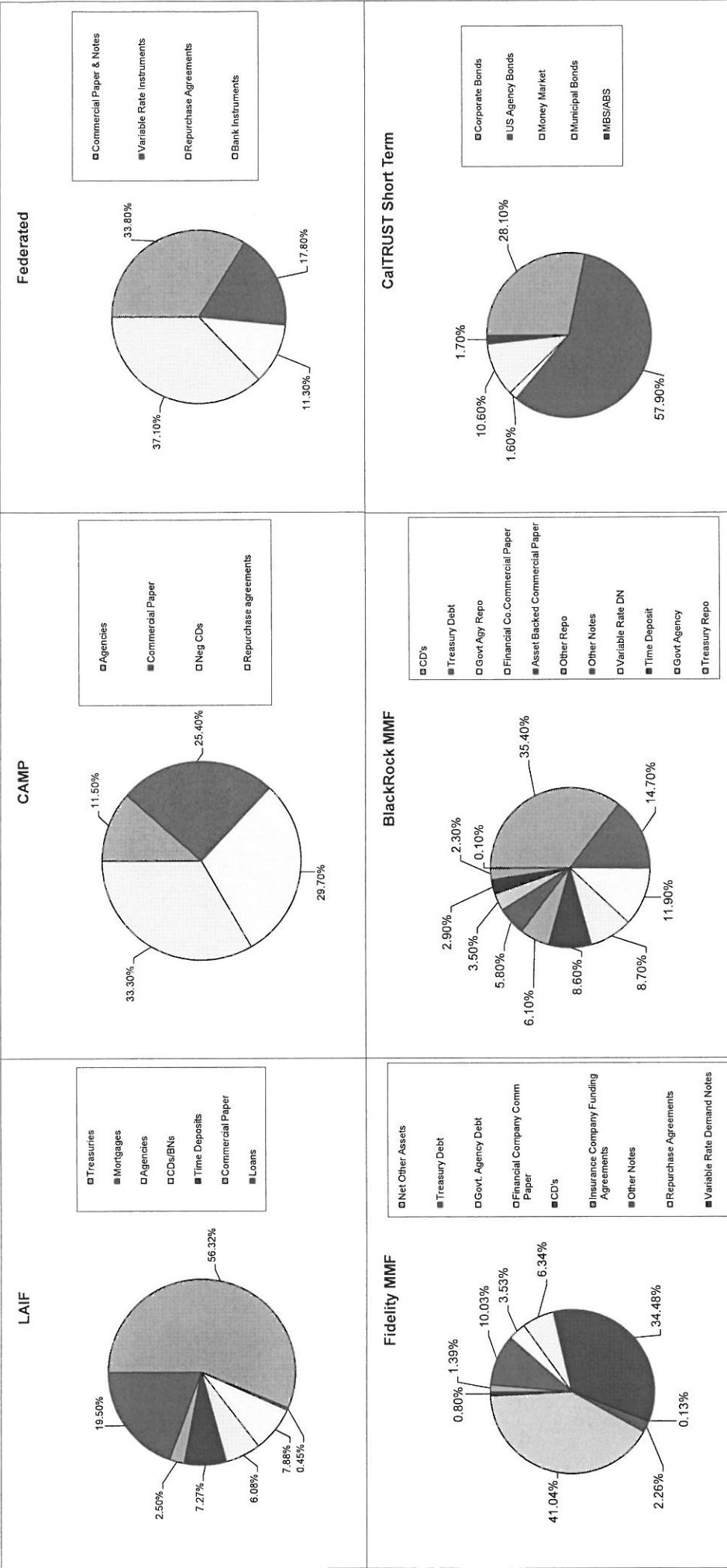


Exhibit E Overnight (Liquid) Asset Distribution



* Percent total may not equal 100 due to rounding

* Net Other Assets may include cash and receivables and payables related to open security or capital stock trades

	LAIF	CAMP	Federated MMF	BlackRock	CalTRUST Short-Term
Credit Rating	NR	AAA	AAA	NR	NR
Fund Assets	\$60 Billion	\$1.89 Billion	\$48.46 Billion	\$7.86 Billion	\$646.65 Million
WAM	215 days	44 days	40 days	54 days	259 days
Percent of Portfolio Invested in Fund	7.73%	9.99%	0.77%	9.45%	4.84%
Fund Quarterly Return	0.33%	0.15%	0.13%	0.19%	0.34%