



# Monterey County

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

## Board Report

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**Introduced:** 1/19/2016

**Version:** 1

**Current Status:** Agenda Ready

**Matter Type:** General Agenda Item

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2015.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2015.

### 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, yields on 2-year Treasuries began to increase based on the markets' expectation of a FOMC (Federal Open Market Committee) increase in the Fed Funds Rate. After being stuck at 0.00 - 0.25% for seven years, on December 16, 2015, the Fed decided to raise the target range for the federal funds rate to 0.25 - 0.50%. Their decision came after a period of recovery where the U.S. gross domestic product (GDP) grew by an average of 2.2%. Growth was broad-based, driven by inventories, fixed investment, imports, consumer spending and state and local government spending. However, the Committee also expressed that "economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate".

On December 31, 2015, the Monterey County investment portfolio contained an amortized book value of \$1,308,756,427 spread among 87 separate securities and funds. The par value of those funds was \$1,305,914,105, with a market value of \$1,307,853,256 or 99.96% of amortized book value. The portfolio's net earned income yield for the period was 0.71%. The portfolio produced an estimated income of \$1,961,614 for the quarter which will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 518 days.

The investment portfolio was in compliance with all applicable provisions of state law and the adopted Investment Policy, and contained 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 be consistent with budgeted revenue.

Prepared by: Susanne King, Treasury Manager, x5490

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5015

Attachments:

- Exhibit A - Investment Portfolio Review 12-31-15
- Exhibit B - Portfolio Management Report 12-31-15
- Exhibit C - Monterey County Historical Yields vs. Benchmarks
- Exhibit D - Aging Report 01-01-16

cc:

County Administrative Office  
County Counsel  
Auditor-Controller - Internal Audit Section  
All Depositors  
Treasury Oversight Committee