



Monterey County

Board of Supervisors
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

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- a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending June 30, 2019; and
- b. Receive and Approve the Treasurer's Investment Policy for FY 2019-2020; and
- c. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending June 30, 2019; and
- b. Receive and Approve the Treasurer's Investment Policy for FY 2019-2020; and
- c. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.

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 April - June period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

The Treasurer also annually reviews the Monterey County Investment Policy and has recommended updates for Board approval. These updates revise outdated language to clearly define investment guidelines and categories as stated in Government Code §53601(q). In addition, annual Board delegation of investment authority to the Treasurer-Tax Collector is prescribed by Government Code sections 53646 and 53607.

DISCUSSION:

During the April - June quarter, U.S. Treasury yields reinforced their downward trend amid persistent concern about escalating trade tensions. The yield curve inversion deepened further but remained relatively shallow on a historical basis. The Federal Reserve (FED) revealed a shift in stance on monetary policy from "patient" to "appropriate." Fed Chair Powell affirmed that the Fed will "act as appropriate to sustain the expansion." The market also appears to be factoring in rate cuts by year end.

On June 30, 2019, the Monterey County investment portfolio contained an amortized book value of \$1,757,528,144 spread among 169 separate securities and funds. The par value of those funds was \$1,765,188,987 with a market value of \$1,755,722,013 or 99.9% of amortized book value. The portfolio's net earned income yield for the period was 2.43%. The portfolio produced an estimated quarterly income of \$10,742,480 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 337 days. The County Treasury continues to use short term debt to provide portfolio liquidity and enhanced investment opportunities.

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. Investment earnings in the General Fund have exceeded budgeted revenue for fiscal year 2018-2019.

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, x5015

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

Exhibit A - Investment Portfolio Review 06.30.19

Exhibit B - Portfolio Management Report 06.30.19

Exhibit C - Aging Report 07.01.19

Exhibit D - Monterey County Investment Policy 2018-2019 - Red Line

Exhibit E - Monterey County Investment Policy 2019-2020 - Proposed

cc: Auditor-Controller - Internal Audit Section

All depositors

County Administrative Office

County Counsel

Treasury Oversight Committee