

**MONTEREY COUNTY BOARD OF SUPERVISORS**

<b>MEETING:</b> July 27, 2010	<b>AGENDA NO:</b> 59
<b>SUBJECT:</b> A. Receive and Accept the Treasurer's Report of Investments for the quarter ending June 30, 2010; and B. Receive and adopt a Resolution amending the Treasurer's investment policy for FY 2010-11; and C. Delegate Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.	
<b>DEPARTMENT:</b> Treasurer-Tax Collector	

**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, 2010.
- B. Receive and adopt the Treasurer's amended investment policy for FY 2010-11
- C. Delegate Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.

**SUMMARY:**

Government Code Section 53646 (b) requires the Treasurer submit a quarterly report of investments. The attached Exhibit A provides a narrative portfolio review of economic and market conditions that support the investment activity during the April - June period. Exhibit B describes the investment portfolio position by investment type as of June 30, 2010. Exhibit C is a listing of common investment definitions and is included for reference purposes, Exhibit D describes the investment portfolio by maturity range, and Exhibit E is an overview of the short term funds that the Treasurer uses to store overnight, liquid assets.

The annual approval of investment policy and approval of investment delegation authority are prescribed by Government Code Sections 53646 and 53607.

**DISCUSSION:**

**A. ACCEPT TREASURER'S REPORT OF INVESTMENTS FOR QUARTER ENDING JUNE 30, 2010**

During the fourth quarter of FY 2009-10, the investment portfolio continued to be subject to downward pressure on interest rates. Due to poor global economic news, the continued flight to safety resulted in lower yields along all areas of the U.S. Treasury yield curve.

On June 30, 2010 the Monterey County investment portfolio contained an amortized cost basis of \$966,849,153 spread among 76 separate securities and funds. The par value of those funds was \$963,059,296, and the market value was \$967,564,072 or 1.07% of amortized book value. The portfolio's net earned income yield for the period was 0.57%. The portfolio's net earned income yield for FY 09-10 was 0.75%. The corresponding yield for U.S. Treasury securities with a 6 Month maturity was 0.22%. The portfolio produced estimated income of \$1,507,934 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 226 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 Bloomberg LLP, Union Bank of California and included live-bid pricing of corporate securities.

**B. ADOPT TREASURER'S INVESTMENT POLICY FOR FY 2010-11**

Annual adoption of the Investment Policy is required by Section 53646 of the Government Code. The current and proposed Investment Policy is on file with the Clerk to the Board. Exhibit F is the Red Line version of the amended policy, while Exhibit G is the final amended version. There are several non substantive changes in regards to the state codes that delegate investment authority to the Treasurer-Tax Collector as well as the deletion of an investment type (NOW account) from Appendix A, as it is no longer offered by financial institutions. The dollar limit for California State Treasurer's Local Agency Investment Fund has also been raised from 40 million to 50 million in response to the fund raising it's limit for individual investors. The most significant change has been made to Section 10 of the investment policy which has been re-written to streamline a redundant process for the withdrawal of funds from the treasury pool.

**C. DELEGATE INVESTMENT AUTHORITY TO THE TREASURER-TAX COLLECTOR FOR FY 2010 - 11**

Government Code Section 53607 permits the Board to annually delegate investment authority to the Treasurer-Tax Collector.

**OTHER AGENCY INVOLVEMENT:**

The changes made to the Investment Policy have been reviewed by the Treasury Oversight Committee and County Counsel.

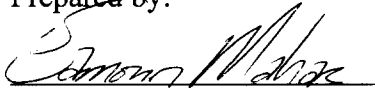
A copy of this report will be distributed to all agencies participating in the County investment pool and the Treasury Oversight Committee. In addition, the report will be displayed on the County Treasurer's web site. A monthly report of investment transactions is provided to the Board of Supervisors as required by GC 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, but at historically low levels, as the Federal Reserve is expected to continue keeping short term interest rates at the current rate of 0.00 – 0.25%.

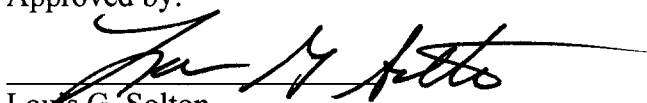
Ongoing recovery efforts for defaulted Washington Mutual and Lehman Brothers are more fully described in Exhibit A.

Prepared by:



Eamonn M. Mahar  
Investment Officer  
June 30, 2010

Approved by:



Louis G. Solton  
Treasurer-Tax Collector  
June 30, 2010

cc: County Administrative Office  
County Counsel  
Auditor-Controller – Internal Audit Section  
All depositors  
Treasury Oversight Committee

Attachments:

- Exhibit A – Investment Portfolio Review – 03.31.10
- Exhibit B – Portfolio Management Report – 03.31.10
- Exhibit C – Investment Definitions
- Exhibit D – Aging Report – 03.31.10
- Exhibit E – JPA and Money Market Fund overview
- Exhibit F – Red Line version of amended Investment Policy
- Exhibit G – Final version of amended Investment Policy