



# Monterey County

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## Board Report

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**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, 2016.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2016.

### 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, U.S. Treasury yields surged over the previous quarter as well as Treasury yields as of a year ago. The labor market has continued to strengthen and economic activity has been expanding at a moderate pace since mid-year. Job gains have been solid in recent months and the unemployment rate has declined. Inflation has increased somewhat since earlier this year but is still below the Federal Reserve's longer run objective of 2 percent. In view of the realized and expected labor market conditions and inflation, on December 14, 2016 the Federal Reserve's Federal Open Market Committee decided to raise the target range for the federal funds rate to 0.50% - 0.75%. This action continues to support further strengthening in labor market conditions and a return to a 2 percent inflation rate.

On December 31, 2016, the Monterey County investment portfolio contained an amortized book value of \$1,381,798,947 spread among 89 separate securities and funds. The par value of those funds was \$1,382,296,942, with a market value of \$1,384,251,719 or 100.18% of amortized book value. The portfolio's net earned income yield for the period was 1.07%. The portfolio produced an estimated quarterly income of \$ 3,249,517.27 which will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 451 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 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.

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

Attachments:

- Exhibit A - Investment Portfolio Review 12.31.16
- Exhibit B - Portfolio Management Report 12.31.16
- Exhibit C - Monterey County Historical Yields vs. Benchmarks
- Exhibit D - Aging Report 01.01.17

cc:

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