



Monterey County

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Board Report

Legistar File Number: 14-1178

October 28, 2014

Introduced: 10/15/2014

Version: 1

Current Status: Consent Agenda

Matter Type: General Agenda Item

Receive and Accept the Treasurer's Report of Investments for the quarter ending September 30, 2014.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the quarter ending September 30, 2014.

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 July - September 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 July to September quarter, short term Treasury yields continued to move in a narrow range. Treasury yields dropped slightly in maturities of 2 years and under, and showed modest increases in the 2-5 year range. Despite minutes from the July Federal Open Market Committee meeting that suggested the Federal Reserve is in no hurry to raise interest rates, investors continue to position themselves in anticipation of the Federal Reserve raising the Fed Funds rate in the second half of 2015. In July, economic data was more positive than previous months. Second-quarter GDP expanded to a 4% annual rate (later revised to 4.6%), and July was the sixth consecutive month that reported job gains of over 200,000 per month, while jobless claims continued to fall. In August, economic activity in the U.S. continued to pick up and Consumer Confidence was reported at a seven-year high despite global economic and security concerns. September saw the positive momentum continue with Consumer Confidence continuing to climb, and employment growth at the strongest pace in 15 years.

On September 30, 2014, the Monterey County investment portfolio contained an amortized book value of \$939,375,345 spread among 72 separate securities and funds. The par value of those funds was \$938,522,816, with a market value of \$937,625,316 or 99.81% of amortized book value. The portfolio's net earned income yield for the period was 0.49%. The portfolio produced an estimated income of \$1,186,386 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 486 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.

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 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%.

Prepared by: Eamonn M. Mahar, Investment Officer, Ext. 5490

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, Ext. 5015

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

Attachments:

Exhibit A - Investment Portfolio Review - 09.30.14
Exhibit B - Portfolio Management Report - 09.30.14
Exhibit C - Monterey County Historical Yields vs. Benchmarks
Exhibit D - Aging Report - 10.01.14