



# Monterey County

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## Board Report

Legistar File Number: 19-1250

January 29, 2019

**Introduced:** 1/11/2019

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2018.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending December 31, 2018.

### 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, and the investment portfolio by maturity range.

### DISCUSSION:

During the October - December quarter, the selloff in equity markets pushed investors to seek the relative safety of U.S. Treasury obligations, pushing yields lower. Interest rates with maturities greater than 1-year fell sharply, while short term rates moved up slightly. This resulted in an inverted yield curve at the quarter end, with the 1-year Treasury yielding more than a 5-year Treasury. As was widely expected, the Federal Reserve raised the federal funds target rate by 25 basis points (0.25%) for the fourth time in 2018 at its December meeting. The U.S. economy is experiencing a strong labor market, adding 762K total jobs in the second quarter, a deceleration of inflation to just below the Fed's 2% target and positive contributions from business investment, consumer spending, and federal, state, and local government spending. Potential headwinds exist in the form of geopolitical risks, tariffs, slower housing market momentum, contracting oil supply and rising interest rates.

On December 31, 2018, the Monterey County investment portfolio contained an amortized book value of \$1,521,771,248 spread among 139 separate securities and funds. The par value of those funds was \$1,528,686,820 with a market value of \$1,518,307,204 or 99.3% of amortized book value. The portfolio's net earned income yield for the period was 2.08%. The portfolio produced an estimated quarterly income of \$7,409,471 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 272 days. The County Treasury continues to use short term debt to provide portfolio liquidity and enhanced investment opportunities while also taking advantage of moderately higher rates in the one to three-year investment range.

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 are expected to meet or exceed 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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All attachments are on file with the Clerk of the Board:

Exhibit A - Investment Portfolio Review 12.31.18

Exhibit B - Portfolio Management Report 12.31.18

Exhibit C - Aging Report 01.01.19

cc:

Auditor-Controller - Internal Audit Section

All depositors

County Administrative Office

County Counsel

Treasury Oversight Committee