



Monterey County

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Board Report

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Current Status: Consent Agenda

Matter Type: General Agenda Item

- a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending June 30, 2017;
- b. Receive and Approve the Treasurer's Investment Policy for FY 2017-18; 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, 2017;
- b. Receive and Approve the Treasurer's Investment Policy for FY 2017-18; 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, a listing of historical Monterey County Treasury Pool yields versus benchmarks, 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 These updates will provide additional clarification, revise outdated language, and more clearly define investment guidelines and categories as stated in Government Code §53601(q).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, Treasury yields were substantially higher compared to a year ago. Short term yields rose as the Federal Open Market Committee (FOMC) raised rates to normalize policy, while longer yields moved in tandem with higher inflation expectations following the elections. The yield curve has flattened over the quarter as some of these inflation expectations moderated. The U.S. labor market continues to strengthen adding 581,000 jobs in the quarter with an average of 187,000 jobs per month over last year. The average hourly earnings, which is an important gauge of wage growth, grew 2.5% over the past 12 months. On June 30, 2017, the Monterey County investment portfolio contained an amortized book value of \$1,406,270,844.48 spread among 97 separate securities and funds. The par value of those funds was \$1,406,749,451.38, with a market value of \$1,404,654,946.58 or 99.9% of amortized book value. The portfolio's net earned income yield for the period was 1.22%. The

portfolio produced an estimated quarterly income of \$ 4,367,421.71 which will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 398 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 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 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 exceed budgeted revenue.

Prepared by: Susanne King, Treasury Manager, x5490

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

Attachments:

- Attachment 1 Exhibit A Investment Portfolio Review 06.30.17
- Attachment 2 Exhibit B Portfolio Management Report 06.30.17
- Attachment 3 Exhibit C Mo Co Historical Yields vs. Benchmarks 06.30.17
- Attachment 4 Exhibit D Aging Summary 07.01.17
- Attachment 5 Exhibit E Mo Co Investment Policy 2016-2017 Red Line
- Attachment 6 Exhibit F Mo Co Investment Policy 2017-2018 Proposed

cc:

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