



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, 2015; and
- b. Receive and Approve the Treasurer's Investment Policy for FY 2015-16; 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, 2015; and
- b. Receive and Approve the Treasurer's Investment Policy for FY 2015-16; 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The Treasurer has also amended the Monterey County Investment Policy to provide additional clarification and revise outdated language and update investment categories as stated in Government Code §53601(q). In addition, annual Board approval of the Investment Policy and delegation of investment authority are prescribed by Government Code sections 53646 and 53607.

DISCUSSION:

During the April to June quarter, interest rates moved slightly higher with Treasury yields remaining essentially flat up to one year maturities and increasing in the 2- to 5-year range. The annualized rate of increase remained essentially flat except for 2-year maturities. At the June Federal Open Market Committee (FOMC) meeting the median projection for the fed funds rate was stated to be between 0.50% and 0.75% by the end of 2015 with a slower rate of increases over the next two years.

U.S. Gross Domestic Product (GDP) decreased by 0.2% in the 1st Quarter of 2015. The unemployment rate fell by 0.2% between March and June while inflation continues to undershoot the FOMC's target rate of 2%. The combination of mixed economic indicators in

the U.S. and ongoing European instability continues to make U.S. bonds attractive to all investors and kept rates low during the quarter under report.

On June 30, 2015, the Monterey County investment portfolio contained an amortized book value of \$1,120,854,255 spread among 78 separate securities and funds. The par value of those funds was \$1,118,174,319, with a market value of \$1,120,818,419 or 100.00% of amortized book value. The portfolio's net earned income yield for the period was 0.72%. The portfolio produced an estimated income of \$2,061,464 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 422 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 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, but at historically low levels, as the Federal Reserve is expected to raise rates by only 0.25% to 0.50% by the end of 2015.

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

Attachments:

- Exhibit A - Investment Portfolio Review 06-30-15
- Exhibit B - Portfolio Management Report 06-30-15
- Exhibit C - Monterey County Historical Yields vs. Benchmarks
- Exhibit D - Aging Report 07-01-15
- Exhibit E - Monterey County Investment Policy - Red Line
- Exhibit F - Monterey County Investment Policy - Proposed

cc:

County Administrative Office

County Counsel

Auditor-Controller - Internal Audit Section

All depositors

Treasury Oversight Committee