



Monterey County

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Board Report

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

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending March 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 January - March 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 January - March quarter interest rates continued their ascent over the quarter and the FED remained true to its stated course, raising short term rates by ¼ percent in March. Economic growth remained strong as the economy grew at an average of 2.6% on a quarterly basis (annualized), the fastest pace since 2014. Strong growth in consumer spending and business investment continues to fuel economic activity. Market volatility surged as investor's concerns focused on possible trade wars, tax cuts, an expansionary fiscal budget, and stretched valuations. The U.S. labor market growth eased in March but remains sound. The unemployment rate continued to hold steady at 4.1% for the sixth straight month, and the labor force participation rate increased slightly from 62.7% to 62.9%. The tight labor market is slowly pushing up worker pay and average hourly earnings - a key measure of wage growth - rose 2.7% over the past 12 months.

On March 31, 2018, the Monterey County investment portfolio contained an amortized book value of \$1,514,749,012 spread among 119 separate securities and funds. The par value of those funds was \$1,516,664,507 with a market value of \$1,509,587,100 or 99.7% of amortized book value. The portfolio's net earned income yield for the period was 1.41%. The portfolio produced an estimated quarterly income of \$5,262,244 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 233 days. The County Treasury performed comparatively with most of the portfolio benchmarks due to a consistent investment strategy that uses short term debt to provide liquidity and enhanced investment

opportunities while also taking advantage of 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. We estimate that investment earnings in the General Fund will exceed budgeted revenue.

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 03.31.18

Exhibit B - Portfolio Management Report 03.31.18

Exhibit C - Monterey County Historical Yields vs. Benchmarks 03.31.18

Exhibit D - Aging Report 04.01.18

cc:

Auditor-Controller - Internal Audit Section

All depositors

Treasury Oversight Committee