



Monterey County

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Board Report

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Matter Type: General Agenda Item

- a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending September 30, 2018.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending September 30, 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 July - September period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

DISCUSSION:

During the July - September quarter, the yield curve remained flat as rates on shorter term yields have outpaced longer-term yields. The first quarter marked the tenth straight quarterly rise in the 2-year yield as the U.S. economy remained strong and the Federal Reserve's continued tightening monetary policy raised the federal funds target rate by 25 basis points for the third time during the calendar year. The U.S. economy is experiencing a strong labor market, core inflation is hitting the Fed's long-term target of 2% for the first time since 2012, and the economy is seeing record corporate profits which are driven in part by savings from tax cuts and a continued optimistic business outlook. The Federal Reserve expectations for growth and employment indicators support the Fed's continued pace of gradual rate hikes, however, potential headwinds exist in the form of geopolitical risks, tariffs, slower housing market momentum and rising interest rates.

On September 30, 2018, the Monterey County investment portfolio contained an amortized book value of \$1,327,140,468 spread among 127 separate securities and funds. The par value of those funds was \$1,331,217,570 with a market value of \$1,323,210,567 or 99.7% of amortized book value. The portfolio's net earned income yield for the period was 1.84%. The portfolio produced an estimated quarterly income of \$6,517,875 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 222 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:

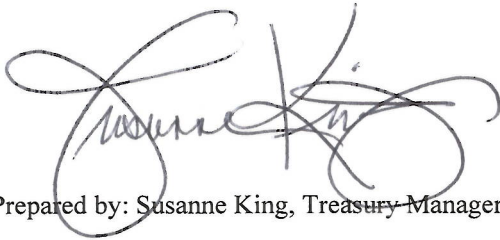
The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. Investment earnings in the General Fund are expected to meet or exceed budgeted revenue for fiscal year 2018-2019.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

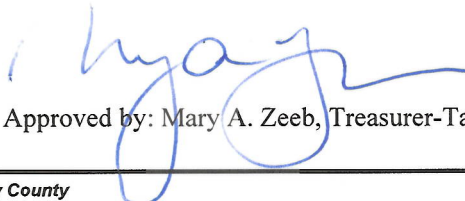
This recommendation supports the Administration initiative by providing transparency and accountability in the management of County funds in the Treasurer's investment portfolio.

Mark a check to the related Board of Supervisors Strategic Initiatives

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety



Prepared by: Susanne King, Treasury Manager, x5490



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

Attachments:

Exhibit A - Investment Portfolio Review 09.30.18

Exhibit B - Portfolio Management Report 09.30.18

Exhibit C - Aging Report 10.01.18

cc:

Auditor-Controller - Internal Audit Section

All depositors

County Administrative Office

County Counsel

Treasury Oversight Committee