



Legislation Details (With Board Report)

File #: 13-1073 **Name:** Treasurers Report of Investments Qtr Ending 09-30-13
Type: General Agenda Item **Status:** Passed
File created: 10/8/2013 **In control:** Board of Supervisors
On agenda: 10/22/2013 **Final action:** 10/22/2013
Title: Receive and Accept the Treasurer’s Report of Investments for the quarter ending September 30, 2013.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit A - Investment Portfolio Review 09.30.pdf, 2. Exhibit B - Portfolio Management Report 09.30.13, 3. Exhibit C - Monterey County Historical Yields vs. Benchmarks 09.30.pdf, 4. Exhibit D - Aging Summary 10.01.13, 5. Exhibit E - Overnight (Liquid) Asset Distribution, 6. Completed Board Order

Date	Ver.	Action By	Action	Result
10/22/2013	1	Board of Supervisors		

Receive and Accept the Treasurer’s Report of Investments for the quarter ending September 30, 2013.

RECOMMENDATION:

It is recommended that the Board of Supervisors:
Receive and Accept the Treasurer’s Report of Investments for the quarter ending September 30, 2013.

SUMMARY:

Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached Exhibit A provides a narrative portfolio review of economic and market conditions that support the investment activity during the July - September period. Exhibit B describes the investment portfolio position by investment type as of September 30, 2013. Exhibit C is a listing of historical Monterey County Treasury Pool yields versus benchmarks. Exhibit D describes the investment portfolio by maturity range, and Exhibit E is an overview of the short term funds that the Treasurer invests in overnight, liquid assets.

DISCUSSION:

During the July to September quarter, Treasury yields continued to rise steadily until the Federal Reserve announcement in mid-September. The announcement contradicted the bond market’s expectation that the Federal Reserve would slow the rate of Treasury and Agency mortgage-backed securities purchases commonly known as “QE3”. The QE3 program had been in place for the past year to put downward pressure on rates and support economic growth. In its statement explaining the decision, the Federal Reserve cited rising mortgage rates, persistently high unemployment, low inflation and fiscal policies that continue to restrain economic activity as factors in their decision to continue the program unabated. Investors reacted to the announcement by reversing their prior sell off so quickly that interest rates on the 10-Year Treasury note fell 15 basis points in yield within minutes of the announcement. By month end, yields on Treasuries in the 3 month - 3 Year range had fallen below their previous levels at the end of June.

On September 30, 2013 the Monterey County investment portfolio contained an amortized cost basis of \$925,323,720 spread among 73 separate securities and funds. The par value of those funds was \$923,587,523, with a market value of \$922,151,473 or 99.66% of amortized book value. The portfolio's net earned income yield for the period was 0.49%. The portfolio produced estimated income of \$1,202,998 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 603 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 GC 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 continue keeping short term interest rates at the current rate of 0.00 - 0.25%.

Prepared by: Eamonn M. Mahar, Investment Officer, x5490

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5474

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

Attachments:

Exhibit A - Investment Portfolio Review - 09.30.13
Exhibit B - Portfolio Management Report - 09.30.13
Exhibit C - Monterey County Historical Yields vs. Benchmarks
Exhibit D - Aging Report - 10.01.13
Exhibit E - Overnight (Liquid) Asset Distribution