



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #:** 13-0041, **Version:** 1

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Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 2012.

### RECOMMENDATION:

It is recommended that the Board of Supervisors: Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 2012.

### 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 September - December period. Exhibit B describes the investment portfolio position by investment type as of December 31, 2012. 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 October to December quarter the Treasury bond curve changed very little in the 0 - 5 year term. Yields in maturities of a year or less were down slightly, while longer maturities were slightly higher. The Federal Reserve continued their Quantitative Easing program, and for the first time announced targets for unemployment and inflation that would influence their decision to raise interest rates. The Fed continued their assurances that they will keep the Fed Funds Rate at or below 0.25 percent but added that it would stay at that level until unemployment falls below 6.5% and inflation tops 2.5%. Congress continued to be unable to pass a bill to avoid the fiscal cliff until New Years day when they passed a bill that included increased revenues, but no cuts to spending. All of these factors helped contribute to many institution's continued investment in fixed income securities.

On December 31, 2012 the Monterey County investment portfolio contained an amortized cost basis of \$1,033,515,337 spread among 78 separate securities and funds. The par value of those funds was \$1,032,228,054, with a market value of \$1,034,828,004 or 100.13% of amortized book value. The portfolio's net earned income yield for the period was 0.49%. The portfolio produced estimated income of \$1,211,697 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 425 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 - 12.31.12

Exhibit B - Portfolio Management Report - 12.31.12

Exhibit C - Monterey County Historical Yields vs. Benchmarks

Exhibit D - Aging Report - 01.01.13

Exhibit E - Overnight (Liquid) Asset Distribution