



County of Monterey

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

Board Report

File #: 12-962, **Version:** 1

Receive and Accept the Treasurer's Report of Investments for the quarter ending September 30, 2012.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and accept the Treasurer's Report of Investments for the quarter ending September 30, 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 July - September period. Exhibit B describes the investment portfolio position by investment type as of September 30, 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 July to September quarter the Treasury bond curve continued to flatten in the 0 - 5 year term. Yields in maturities of a year or less were up slightly, while longer maturities were lower. The Federal Reserve announced the third version of their Quantitative Easing program, pledging to purchase \$85 billion a month in agency-backed mortgage-backed securities and long term Treasuries. For the first time the Federal Reserve did not indicate a maximum size or duration of the program, instead choosing to tie the program to improvement in the labor market. In mid-September, the German Constitutional Court allowed the country to ratify the new bailout fund for the Euro zone, establishing the European Stability Mechanism which will lend money to European Union members in an effort to combat rising borrowing costs for its participants. All of these factors have helped contribute to continued investments in fixed income securities. The Fed has continued their assurances that they will keep the Fed Funds Rate at or below 0.25 percent.

On September 30, 2012 the Monterey County investment portfolio contained an amortized cost basis of \$939,341,502 spread among 77 separate securities and funds. The par value of those funds was \$938,665,763, with a market value of \$940,943,563 or 100.06% of amortized book value. The portfolio's net earned income yield for the period was 0.49%. The portfolio produced estimated income of \$1,159,315 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 449 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

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cc:

County Administrative Office

County Counsel

Auditor-Controller - Internal Audit Section

All depositors

Treasury Oversight Committee

Attachments:

Exhibit A - Investment Portfolio Review - 9.30.12

Exhibit B - Portfolio Management Report - 9.30.12

Exhibit C - Monterey County Historical Yields vs. Benchmarks

Exhibit D - Aging Report - 10.01.12

Exhibit E - Overnight (Liquid) Asset Distribution