



County of Monterey

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

Board Report

File #: 14-348, **Version:** 1

Receive and Accept the Treasurer's Report of Investments for the quarter ending March 31, 2014.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and accept the Treasurer's Report of Investments for the quarter ending March 31, 2014.

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 January - March period. Exhibit B describes the investment portfolio position by investment type as of March 31, 2014. 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 January to March quarter, the Treasury yield curve flattened moderately, with longer maturities showing a decrease in yield, while short Treasury bills gained 3 to 5 basis points. The changes have been caused by multiple economic factors. At the start of the quarter, Treasury yields increased in response to Congress' successful avoidance of the worst of the fiscal cliff and a subsequent agreement to suspend the debt limit until March of 2015. Later in the quarter the economy continued to show small improvement and labor markets continued their trend of modest expansion. Towards the end of the quarter, a bipartisan Senate proposal that outlines the framework for the elimination of government participation in housing markets through the eventual dissolution of Fannie Mae and Freddie Mac was introduced. The combination of the positive economic news and uncertainty of a bond market without Freddie and Fannie resulted in the changes to bond yields across all maturities.

On March 31, 2014 the Monterey County investment portfolio contained an amortized book value of \$1,013,345,699 spread among 75 separate securities and funds. The par value of those funds was \$1,011,894,150, with a market value of \$1,010,766,674 or 99.75% of amortized book value. The portfolio's net earned income yield for the period was 0.47%. The portfolio produced an estimated income of \$1,190,018 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 485 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, x 5015

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

Attachments:

Exhibit A - Investment Portfolio Review - 03.31.14
Exhibit B - Portfolio Management Report - 03.31.14
Exhibit C - Monterey County Historical Yields vs. Benchmarks
Exhibit D - Aging Report - 04.01.14
Exhibit E - Overnight (Liquid) Asset Distribution