



County of Monterey

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

Board Report

File #: 14-025, **Version:** 1

Receive and Accept the Treasurer's Report of Investments for the quarter ending December 31, 2013.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 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 October - December period. Exhibit B describes the investment portfolio position by investment type as of December 31, 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 October to December quarter, Treasury yields continued to rise. Yield increases were more significant in the 5+ year range, while the rate increases in shorter term issues remained quite modest. The majority of the increase in yields was caused by positive economic data that generally signaled continued improvement in the U.S. economy. The preliminary U.S. GDP report in November on the June - September quarter showed a greater than expected 2.8% increase in GDP, but much of it was attributed to an increase in inventory, rather than increases in sales. In the period under review, yield spreads between Treasury, Agency and Corporate issues remained narrow. Although rates could continue to move higher, the rate for short-term investments remains near zero, which will continue the trend of very low returns in overnight funds and shorter term securities.

On December 31, 2013 the Monterey County investment portfolio contained an amortized cost basis of \$1,049,985,939 spread among 80 separate securities and funds. The par value of those funds was \$1,048,602,520, with a market value of \$1,046,087,332 or 99.63% of amortized book value. The portfolio's net earned income yield for the period was 0.50%. The portfolio produced estimated income of \$1,220,716 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 496 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, X5057

cc:

County Administrative Office

County Counsel

Auditor-Controller - Internal Audit Section

All depositors

Treasury Oversight Committee

Attachments:

Exhibit A - Investment Portfolio Review - 12.31.13

Exhibit B - Portfolio Management Report - 12.31.13

Exhibit C - Monterey County Historical Yields vs. Benchmarks

Exhibit D - Aging Report - 01.01.14

Exhibit E - Overnight (Liquid) Asset Distribution