



County of Monterey

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

Board Report

File #: 14-814, **Version:** 1

- a. Receive and Accept the Treasurer's Report of Investments for the quarter ending June 30, 2014;
- b. Receive and Approve the Treasurer's Investment Policy for FY 2014-15;
- c. Receive and Approve the Treasury Oversight Committee's amended Charter; and
- d. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive and Accept the Treasurer's Report of Investments for the quarter ending June 30, 2014.
- b. Receive and Approve the Treasurer's amended Investment Policy for FY 2014-15.
- c. Receive and Approve the Treasurer's amended Treasury Oversight Committee Charter.
- d. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.

SUMMARY:

Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached exhibits provide a narrative portfolio review of economic and market conditions that support the investment activity during the April - June period, the investment portfolio position by investment type, a listing of historical Monterey County Treasury Pool yields versus benchmarks, the investment portfolio by maturity range, and an overview of the short term funds that the Treasurer invests in overnight, liquid assets.

The Treasurer has also amended the Monterey County Investment Policy to provide additional clarification and revise outdated language. The Treasury Oversight Committee Charter is included as it has been updated to reflect the amended meeting requirement. Annual Board approval of the Investment Policy and delegation of investment authority are prescribed by Government Code sections 53646 and 53607.

DISCUSSION:

During the April to June quarter, Treasury yields paused from their slow, upward climb and there was very little change in the yield of maturities of 5 years and under. In April, the first quarter U.S. Gross Domestic Product (Jan - March) had a reported growth rate of only 0.1%, which was far below the consensus estimate of 1.1%. In June, the rate was revised to -2.9%, which marked the first economic contraction in three years. When combined with other positive economic indicators such as increases in new and existing home sales in April, the economic news continued to reinforce a "wait and see" approach with investors. In June, the European Central bank cut its main interest rate to a record low of 0.15% and cut its interest rate on deposits to -0.1%, effectively charging the region's banks to hold their reserves. The combination of mixed economic indicators in the U.S. and increased efforts to lower interest rates in the European Union continues to make U.S. bonds attractive to all investors and kept rates low during the quarter under report.

On June 30, 2014, the Monterey County investment portfolio contained an amortized book value of \$987,543,563 spread among 73 separate securities and funds. The par value of those funds was \$986,408,421, with a market value of \$986,698,521 or 99.91% of amortized book value. The portfolio's net earned income yield for the period was 0.51%. The portfolio produced an estimated income of \$1,341,687 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 461 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, Ext 5490

Approved by: Mary A. Zeeb, Treasurer - Tax Collector, Ext 5015

Attachments:

Exhibit A - Investment Portfolio Review - 06.30.14
Exhibit B - Portfolio Management Report - 06.30.14
Exhibit C - Monterey County Historical Yields vs. Benchmarks
Exhibit D - Aging Report - 07.01.14
Exhibit E - Overnight (Liquid) Asset Distribution
Exhibit F - Monterey County Investment Policy - Red Line
Exhibit G - Monterey County Investment Policy - Final
Exhibit H - Treasury Oversight Committee Charter - Red Line
Exhibit I - Treasury Oversight Committee Charter - Final

cc:

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