



County of Monterey

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

Board Report

File #: 16-904, Version: 1

- a. Receive and Accept the Treasurer's Report of Investments for the quarter ending June 30, 2016;
- b. Receive and Approve the Treasurer's Investment Policy for FY 2016-17; and
- c. 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, 2016; and
- b. Receive and Approve the Treasurer's Investment Policy for FY 2016-17; and
- c. 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, and the investment portfolio by maturity range.

The Treasurer has also amended the Monterey County Investment Policy to provide additional clarification, revise language and update investment guidelines and categories as stated in Government Code §53601(q). In addition, 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 - June quarter yields on U.S. Treasuries continued to fall due to concern over slowing economic growth and the release of the May employment data which revealed the lowest level of jobs gain since 2010. Market participants correctly predicted this would discourage the Federal Reserve from raising rates at the June committee meeting. While the labor market rebounded in June, adding a net 287,000 jobs which largely exceeded the market expectation of 175,000, Britain's vote to leave the European Union caused volatility throughout the global financial market, causing sovereign yields across the world to plummet. The political and economic consequences continue to be highly uncertain as Britain has the second largest economy in the European Union.

On June 30, 2016 the Monterey County investment portfolio contained an amortized book value of \$1,299,086,359.71 spread among 86 separate securities and funds. The par value of those funds was \$1,297,997,754.70 with a market value of \$1,298,648,951.83 or 99.97% of amortized book value. The portfolio's net earned income yield for the period was 1.03%. This produced an estimated income of \$3,429,732.19 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 491 days.

The investment portfolio was in compliance with all applicable provisions of state law and the adopted Investment Policy, and contains 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 Government Code 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 may not raise rates by the end of 2016.

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Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5015

All attachments are on file with The Clerk of the Board:

Exhibit A - Investment Portfolio Review 06-30-16

Exhibit B - Portfolio Management Report 06-30-16

Exhibit C - Monterey County Historical Yields vs. Benchmarks

Exhibit D - Aging Report 07-01-16

Exhibit E - Monterey County Investment Policy - Red Line

Exhibit F - Monterey County Investment Policy - Proposed

cc:

County Administrative Office

County Counsel

Auditor-Controller - Internal Audit Section

All depositors

Treasury Oversight Committee