



County of Monterey

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

Board Report

File #: 19-0264, **Version:** 3

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending March 31, 2019.

It is recommended that the Board of Supervisors:

Receive and Accept the Treasurer's Report of Investments for the Quarter Ending March 31, 2019.

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 January-March period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

DISCUSSION:

During the January-March quarter, interest rates fluctuated between small gains and small declines throughout most of the period, ultimately ending the quarter with yields down across the curve following a steady decline after the Federal Reserve's March meeting. Yields fell despite a recovery in the equity markets. Longer maturity yields fell more than shorter maturities and in mid-March, the 3-month to 10-year part of the yield curve inverted for a brief period, renewing concerns about a possible recession in the near future. The Federal Reserve held short-term rates unchanged at the current target range of 2.25% to 2.50% at their January and March meetings. They also shifted to a "patient" stance on future rate actions and have implied there will be no additional Federal Reserve rate hikes in 2019. U.S. equities recovered from the sell-off last quarter and had their best quarter in at least a decade during the third quarter.

On March 31, 2019, the Monterey County investment portfolio contained an amortized book value of \$1,674,993,180 spread among 158 separate securities and funds. The par value of those funds was \$1,683,748,934 with a market value of \$1,672,221,350 or 99.8% of amortized book value. The portfolio's net earned income yield for the period was 2.32%. The portfolio produced an estimated quarterly income of \$9,095,865 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 335 days. The County Treasury continues to use short term debt to provide portfolio liquidity and enhanced investment opportunities.

The investment portfolio is 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 resources such as Bloomberg LLP, Union Bank of California and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the investment pool and the Treasury Oversight Committee. In addition, the report will be published on the County Treasurer's website. 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. Investment earnings in the General Fund are expected to meet or exceed budgeted revenue for fiscal year 2018-19.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation supports the Administration initiative by providing transparency and accountability in the management of County funds in the Treasurer's investment portfolio.

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☐ Infrastructure
- ☐ Public Safety

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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 03.31.19
- Exhibit B - Portfolio Management Report 03.31.19
- Exhibit C - Aging Report 04.01.19

cc:

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