



# County of Monterey

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

## Board Report

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**File #:** 21-622, **Version:** 1

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- a. Receive and Accept the Treasurer's Report of Investments for the Quarter Ending June 30, 2021; and
- b. Receive and Approve the Treasurer's Investment Policy for FY 2021-2022; and
- c. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607; and
- d. Approve the dissolution of the Monterey County Treasury Oversight Committee.

### 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, 2021; and
- b. Receive and Approve the Treasurer's Investment Policy for FY 2021-2022; and
- c. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607; and
- d. Approve the dissolution of the Monterey County Treasury Oversight Committee.

### 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, and the investment portfolio by maturity range.

The Treasurer also reviews the Monterey County Investment Policy annually and has recommended updates for Board approval. Primary updates are due to changes to California Government Code Section 53601.6 from the passage of Senate Bill 998 effective January 1, 2021, as well as the Treasurer's recommendation of the dissolution of the Monterey County Treasury Oversight Committee. In addition, annual Board delegation of investment authority to the Treasurer-Tax Collector is prescribed by Government Code sections 53607 and 53646.

### DISCUSSION:

Economic conditions during the quarter were characterized by the following factors: broad economic reopening as COVID-19 caseloads plummeted, strong growth and forward economic momentum, continued improvement in the labor market, material shortages, elevated input costs, and supply-chain challenges.

Driven by a combination of base effects, stimulus-driven demand, and transient factors such as supply chain disruption, measures of inflation rose in the second quarter of 2021. The Federal Reserve's June projections showed some variety amongst its committee members regarding views on monetary policy. While no change in policy is expected in the remainder of 2021, participants are leaning towards two federal funds rate increases by the end of 2023.

On June 30, 2021, the Monterey County investment portfolio contained an amortized book value of \$2,208,759,362 spread among 233 separate securities and funds. The par value of those funds was \$2,196,394,069 with a market value of \$2,211,758,054 or 100% of amortized book value. The portfolio's net earned income yield for the period was 0.69%. The portfolio produced an estimated quarterly income of

\$3,788,827 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 604 days. The County Treasury continues to use shorter term debt to provide portfolio liquidity and enhanced investment opportunities.

The investment portfolio follows 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.

The Treasury Oversight Committee (TOC) was originally established in 1995 following a state mandate that required quarterly reviews of the Treasurer's investment policy and an annual compliance audit of activities. Members consist of representatives from the schools, special districts, CAO, Treasurer, and the public. In 2004, the mandate and the associated state reimbursement funding for the mandatory TOC program was removed.

In the ensuing years modifications have been made to the Treasurer's Investment program that include professional management and investment services, monthly reports to the Board of all investment activities, detailed quarterly reports to the Board and pool participants and personal presentations to the schools or other participants whenever requested. All reports and annual audits are also posted on the Treasurer's website for public inspection and review.

In 2020, the TOC lost four of the six incumbents to retirement or resignation. The current members consist of the new Superintendent of Schools designee, the CAO designee, and the Treasurer. Given the changes and information now in place to provide the Board, pool participants, and the public additional transparency, it is no longer necessary or cost effective to maintain a TOC and the dissolution is recommended.

#### OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the investment pool. The Treasury Quarterly Reports are also posted 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 exceed budgeted revenue for fiscal year 2020-21 once finalized.

#### 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.

Mark a check to the related Board of Supervisors Strategic Initiatives

☒ Administration

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

Attachments:

Board Report

Exhibit A - Investment Portfolio Review 06.30.21

Exhibit B - Portfolio Management Report 06.30.21

Exhibit C - Aging Summary 07.01.21

Exhibit D - Investment Policy 2020-2021 Red Line

Exhibit E - Investment Policy 2021-2022 Proposed

cc:

Auditor-Controller - Internal Audit Section

All depositors

County Administrative Office

County Counsel