

TREASURY OVERSIGHT COMMITTEE MEETING

August 19, 2014

MINUTES

Members Present: Alfred Granzella, Don Bouchet, Bill Clark, Edgar Grubb, Jerome Hatfield, Dan Heinrich and Chris Learned.

Also Present: Russell V. Watts, Treasurer-Tax Collector, Brice E. Bins, Chief Deputy Treasurer-Tax Collector, and Belinda Zhu, Assistant County Treasurer.

Members Absent: None

Chair Alfred Granzella called the Treasury Oversight Committee meeting to order at 3:00 p.m.

I. PUBLIC COMMENT

None.

II. APPROVAL OF CALENDAR YEAR 2013 TREASURY AUDIT

Ms. Zhu stated that the final treasury audit report for calendar year 2013 presented by the County Auditor-Controller's Office was distributed to the Committee for its May 20, 2014 meeting. Based on the results of the audit tests and procedures, the auditors concluded that there were no audit recommendations from the audit.

The Committee complimented the treasurer's staff for their good work. Mr. Bins thanked the Committee for providing diligent oversight which helped our daily operations greatly.

Mr. Granzella called a motion for approval of the audit report. Mr. Bouchet moved, seconded by Mr. Grubb to approve the Calendar Year 2013 Treasury Audit. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Granzella, Mr. Grubb, Mr. Hatfield, Mr. Heinrich, and Mr. Learned.

III. APPROVAL OF FEBRUARY 18, 2014 MINUTES

Mr. Granzella called a motion for approval of the minutes. Mr. Grubb moved, seconded by Mr. Heinrich to approve the February 18, 2014 Treasury Oversight Committee meeting minutes. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Granzella, Mr. Grubb, Mr. Hatfield, Mr. Heinrich, and Mr. Learned.

IV. APPROVAL OF MARCH 31, 2014 QUARTERLY INVESTMENT REPORT AND EXHIBITS

Mr. Granzella called a motion for approval of the quarterly investment report and exhibits. Mr. Grubb moved, seconded by Mr. Hatfield to approve the March 31, 2014 Quarterly Investment Report and Exhibits. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Granzella, Mr. Grubb, Mr. Hatfield, Mr. Heinrich, and Mr. Learned.

V. APPROVAL OF MAY 20, 2014 MINUTES

Due to lack of quorum, there were no minutes for the May 20, 2014 Committee meeting, hence, no motion was called. However, a memorandum for the May meeting was distributed to the Committee for its information.

VI. APPROVAL OF JUNE 30, 2014 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the June 30, 2014 Quarterly Investment Report (the Report) to the Committee. The Treasurer's investment portfolio is in compliance with Government Code 53600 et. seq. The Treasurer's investment portfolio is in compliance with the Treasurer's current investment policy. The Treasurer's investment portfolio has no securities lending, reverse repurchase agreements, or derivatives.

As of June 30, 2014, the total par value of the investment pool was \$2,381,402,388.40. The total cost was \$2,385,681,242.72. The market value was \$2,384,395,928.88 which was 99.95% of the cost. More than \$1.5 billion representing about 64% of the portfolio will mature in less than 90 days. The weighted yield to maturity was 0.37% with the weighted average days to maturity of 184 days. The weighted duration was 0.50 year.

Historical activities combined with future cash flow projections indicate that the County is able to meet its cash flow needs for the next six months.

Ms. Zhu presented Page 2, the Investment Pool Summary Report as of June 30, 2014. The market value of the investment pool was down by about \$79 million from the previous quarter end, but up by about \$217 million from the same quarter end of the previous year. Approximately 82% of the portfolio was managed by the Treasurer's Office and the remaining was managed by the external managers. Ms. Zhu clarified whether Mr. Hatfield had requested to separate the "Corporate Notes" from the category of "Money Market Instruments". Mr. Hatfield confirmed positively as he doesn't feel that "Corporate Notes" should fall under "Money Market Instruments". Ms. Zhu agreed that this will be effective starting next quarter.

Ms. Zhu presented Page 3, Investment Pool at a Glance. She pointed out that "Cash" was separated from "N/R" (not rated) investments per the Committee's

request. Mr. Grubb made a grammatical correction to one of the footnotes on Page 3.

Ms. Zhu presented Page 4 “Major Market and Economic Data”, a newly added page per Mr. Watts’s request. The four graphs reveal the long-term trend of treasury yields and fed target rate, consumer price index, gross domestic product and unemployment rate. The Committee was pleased with the additional information in the quarterly investment report.

Mr. Hatfield inquired about the Shock Analysis in Wells Capital Management’s quarterly report. Ms. Zhu confirmed that Wells Capital Management enhanced its reporting system and added this analysis starting this quarter. Mr. Heinrich also inquired about the account payable of -\$1,000,833.90. Ms. Zhu responded that it was due to a trade placed on 6/30/14 for settlement on July 1st, 2014.

VII. EXHIBITS

Mr. Hatfield questioned a security listed in Exhibit VI as Westpac Bank Quarter Floater. Exhibit VI shows the security with a maturity date of 4/15/15, while the portfolio statement on Page 19 shows a maturity date of 4/15/16. Ms. Zhu responded that she believed the 4/15/16 maturity date was correct but would conduct further research on the item. Mr. Hatfield pointed out that LIBOR was misspelled as LINBOR in reference to the GECC Float Rate Note of 7/12/16.

Mr. Grubb asked if Exhibit VIII, Portfolio Stress Test, was a stress test on our portfolio. Ms. Zhu confirmed that it was the stress test on the portfolio managed by the Treasurer’s Office.

Mr. Granzella called a motion for approval of the investment report. Mr. Hatfield moved, seconded by Mr. Heinrich to approve the June 30, 2014 Quarterly Investment Report. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Granzella, Mr. Grubb, Mr. Hatfield, Mr. Heinrich, and Mr. Learned.

VIII. APPROVAL OF CONTRA COSTA COUNTY TREASURER’S ANNUAL INVESTMENT POLICY FOR FISCAL YEAR 2014-2015

Ms. Zhu reported that we review and amend, if necessary, the Treasurer’s Investment Policy annually. The amendments made this year largely reflect the newly developed Fund Withdrawal Policy and Procedures, changes in laws and regulations, current business practice, and formatting issues. The final Investment Policy was submitted to and approved by the Board of Supervisors for the upcoming fiscal year.

Mr. Watts further explained that Treasurer-Tax Collector’s Office developed the Withdrawal of Funds Policy and Procedures for the purpose of establishing guidelines for all treasury pool participants who seek to withdraw funds from the

treasury pool. Hence, Section 18.2 of the Treasurer's Investment Policy was amended accordingly.

Mr. Granzella called a motion for approval of the Investment Policy. Mr. Grubb moved, seconded by Mr. Bouchet to approve Contra Costa County Treasurer's Annual Investment Policy for Fiscal Year 2014-2015. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Granzella, Mr. Grubb, Mr. Hatfield, Mr. Heinrich, and Mr. Learned.

IX. OTHER:

None.

X. NEXT MEETING: TUESDAY, NOVEMBER 18, 2014

Mr. Granzella adjourned the meeting at 3:40 p.m.

Respectfully submitted,

Esther Garibay
Treasurer's Investment Operations Analyst

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