

TREASURY OVERSIGHT COMMITTEE MEETING

November 18, 2014

MINUTES

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

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

I. PUBLIC COMMENT

None.

II. APPROVAL OF AUGUST 18, 2014 MINUTES

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

III. APPROVAL OF SEPTEMBER 30, 2014 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the September 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 September 30, 2014, the total par value of the investment pool was \$1,885,619,775.50. The total cost was \$1,888,745,655.45. The market value was \$1,887,256,210.23 which was 99.92% of the cost. More than \$1.3 billion representing about 71% of the portfolio will mature in less than 90 days. The weighted yield to maturity was 0.42% with the weighted average days to maturity of 219 days. The weighted duration was 0.60 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 Contra Costa County Investment Pool report as of September 30, 2014. The only change made to this report was the separation of Corporate Notes from the Money Market Instruments category per the Committee's request. The market value of the investment pool was down by about \$495 million from the previous quarter end, but up by about \$155 million from the same quarter end of the previous year. Traditionally the first quarter of each fiscal year, the Pool investments reach the lowest point due to several large payments made in the beginning of each fiscal year, such as the Retirement pre-payment (approximately \$275 million), debt service payments (about \$150 million), and pension obligation bonds (about \$100 million). Approximately 78% of the portfolio was managed by the Treasurer's Office and the remaining was managed by the external managers.

Ms. Zhu presented Page 3, Investment Pool at a Glance. The only change was a grammatical correction to Footnote #5.

Ms. Zhu presented Page 4 "Major Market and Economic Data", this report is updated on a quarterly basis and there are no significant changes compared to the previous quarter. The GDP for the quarter was 3.5%, slightly down from the previous quarter of 4.6%. The Unemployment rate was down to 5.7%, and CPI was about 1.7%.

Mr. Hatfield requested that the structured notes and bonds listed in the Sungard report should be labelled clearly so that they are more noticeable (e.g. page 14 Investment #81841, page 24 Investment #79043). Ms. Zhu responded that abbreviation of the security descriptions could be the solution.

IV. EXHIBITS

Mr. Hatfield indicated that he would like to keep the Total line on Exhibit VI (a) CalTRUST Short Term Fund. Ms. Zhu explained that the Total line was deleted when she tried to squeeze the report into 1 page, but will include the totals going forward.

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

V. APPROVAL OF AMENDMENTS TO CONTRA COSTA COUNTY TREASURER'S ANNUAL INVESTMENT POLICY FOR FISCAL YEAR 2014-2015

Ms. Zhu presented the amendments to the Treasurer's Investment Policy (the "Policy") to the Committee. Due to changes made to the California Government Code to include supranational securities as permissible investments effective January 1st, 2015, our Policy is amended accordingly and will become effective on the same day. Mr. Grubb clarified if the maximum percent of issue was 100%. Ms. Zhu confirmed and stated that currently supranational securities have AAA ratings.

Mr. Hatfield and Mr. Grubb pointed out a couple of spelling errors on Page 25 of the Policy (“Approved Issuers”), Ms. Zhu confirmed she would make both corrections.

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

VI. STANDARD & POOR’S RATING

Ms. Zhu reported that S&P had rated the Contra Costa County Investment Pool with AAAf/S1+. In essence, it means that the Investment Pool holdings provide extremely strong protection against losses from default with extremely low sensitivity toward changing market conditions. Our Investment Pool has been able to maintain this rating since November 2007.

VII. OTHER:

Karen Smith responded to the Committee’s questions regarding floating net asset values for shares of institutional prime money market funds. Staff invited Ms. Smith to present the capital market condition and general economy in the next Committee meeting.

VIII. NEXT MEETING: **TUESDAY, FEBRUARY 17, 2014**

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

Respectfully submitted,

Esther Garibay
Treasurer’s Investment Operations Analyst

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