

TREASURY OVERSIGHT COMMITTEE MEETING

November 17, 2015

MINUTES

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

Also Present: Brice E. Bins, Chief Deputy Treasurer-Tax Collector, Belinda Zhu, Assistant County Treasurer and Esther Garibay, Treasurer's Investment Operations Analyst.

Members Absent: Scott Anderson

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

PUBLIC COMMENT

None.

ACTION ITEMS

1. APPROVE AUGUST 18, 2015 MINUTES

No changes or concerns were raised.

Mr. Granzella called a motion for approval of the minutes. Mr. Grubb moved, seconded by Mr. Heinrich to approve the August 18, 2015 Treasury Oversight Committee meeting minutes. The motion passed unanimously with ayes from Mr. Granzella, Mr. Bouchet, Mr. Clark, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

2. APPROVAL SEPTEMBER 30, 2015 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the September 30, 2015 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, 2015, the total par value of the investment pool was \$2,365,487,912.15. The total cost was \$2,367,656,500.22. The market value was \$2,369,459,179.11 which was 100.08% of the cost. More than \$1.76 billion representing about 74% of the portfolio will mature in less than a year. The

weighted yield to maturity was 0.55% with the weighted average days to maturity of 244 days. The weighted duration was 0.67 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 Contra Costa County Investment Pool summary report as of September 30, 2015. The market value of the investment pool was down by \$531 million from the previous quarter end, and up by \$482 million from the same quarter end of the previous year. Approximately 84% of the portfolio was managed by the Treasurer's Office while the remaining was managed by the external managers.

Historically, the county investment pool has the lowest balance at end of the first quarter of each fiscal year due to less revenues but higher expenditures, such as regular debt service payments, the annual retirement pre-payment, pension obligation payment, etc. Additionally, the remaining \$14K Pleasant Hill Bart Special Tax was paid off in August 2015. The investment pool report will not carry this item in the future.

Ms. Zhu stated that the quarterly yield to maturity of the investment pool has moved slightly upward in the past three years. Mr. Heinrich inquired if the 0.35% yield on cash was what is earned on the compensating balance. Mr. Bins confirmed it and clarified it is called Earning Credit Rate (ECR). Ms. Zhu stated that we negotiated a very favorable ECR with Wells Fargo Bank during our RFP search. Wells Fargo guarantees a 0.35% ECR for the entire contract term of 5 years.

As of September 30, 2015, the 5-year Treasury yield was at 1.49% and the 2-year was at 0.71%. The Federal Fund Target rate remains at 0.25%. The consensus was that the Feds may increase the rate by 0.25%. The inflation remains in check with the core CPI at 1.9% for the third quarter. The GDP was 1.5% compared to the previous quarter of 3.9%. The unemployment rate was 4.9% versus 5.6%. Mr. Heinrich requested that the under-employment rate be added to future reports. Ms. Zhu responded that she will search for the under-employment data.

I. EXHIBITS

Ms. Zhu presented the Exhibits and stated that all footnotes regarding the Retirement investment portfolio were removed as the Retirement Association is legally a separate entity effective January 2015.

Ms. Zhu informed the Committee that the Wells Cap portfolio holds a par value of \$500K Volkswagen Group America bond. The bond was purchased in May 2014 with a maturity of May 23, 2016. Due to recent Volkswagen scandal, S&P currently rated the security A- but may downgrade it to BBB by the end of the year. Ms. Zhu has been in close communications with Wells Cap which recommended all its clients "Hold" the security rather than selling. Wells Cap believed that the security most likely would mature at par in May 2016 but had concerns on the credit rating risk. As

the market value of the bond was below par, we would realize approximately a \$7K loss if we sold it. Given all the information and analyses we have, we decided to follow Wells Cap's recommendation of "Hold" but keep monitoring this security closely. The Committee agreed.

Mr. Granzella called a motion for approval of the investment report. Mr. Grubb moved, seconded by Mr. Heinrich to approve the September 30, 2015 Quarterly Investment Report. The motion passed unanimously with ayes from Mr. Granzella, Mr. Bouchet, Mr. Clark, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

INFORMATION ITEMS

1. Standard & Poors Rating

Ms. Zhu informed the Committee that Standard & Poors rated Contra Costa County investment portfolio (as of 9/30/15) AAf/S1+ signifying the highest credit quality with the lowest volatility. S&P recently conducted an on-site meeting with the Treasurer's Office. No significant findings were noted.

2. Committee Meeting Dates for Calendar Year 2016

Ms. Zhu confirmed the 2016 meeting dates.

MISCELLANEOUS

1. Staff Report

Mr. Bins noted that at this month's Contra Costa County Board of Supervisors' meeting, the Board presented a plaque to Mr. Watts for his contributions to CACTTC (California Association of County Treasurer's and Tax Collectors) as the President for year 2015-2016. Each Supervisor thanked Russell Watts for his active roles in various committees, and his contributions to the County and its constituents. Mr. Bartholomew from Humboldt County, representing CACTTC, also attended the same meeting to present Mr. Watts with a plaque for his participation.

2. Committee Member Comments

No Comments.

ESTABLISHMENT OF NEXT MEETING DATE:

Tuesday, February 16, 2016.

Mr. Granzella adjourned the meeting at 3:42 p.m.

Respectfully submitted,

Esther Garibay-Fernandes
Treasurer's Investment Operations Analyst

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