

# TREASURY OVERSIGHT COMMITTEE MEETING

February 16, 2016

## MINUTES

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

Also Present: Russell V. Watts, Treasurer-Tax Collector and Belinda Zhu, Assistant County Treasurer.

Members Absent: Dan Heinrich

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

## **PUBLIC COMMENT**

None.

**INFORMATION ITEMS (This item was moved as the first item on the agenda due to a scheduling conflict of the presenter, Karen Smith).**

### 1. Overview of General Economy and Capital Market Conditions

Karen Smith from Wells Capital Management presented an overview of the existing general economy and capital market conditions as well as an outlook of future economy.

## **ACTION ITEMS**

### 1. APPROVE NOVEMBER 17, 2015 TREASURY OVERSIGHT COMMITTEE

#### MEETING MINUTES

A couple of minor corrections were made.

Mr. Granzella called a motion for approval of the minutes. Mr. Grubb moved, seconded by Mr. Bouchet to approve the November 17, 2015 Treasury Oversight Committee meeting minutes. The motion passed unanimously with ayes from Mr. Granzella, Mr. Anderson, Mr. Bouchet, Mr. Clark, Mr. Grubb, and Mr. Hatfield.

### 2. APPROVE DECEMBER 31, 2015 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the December 31, 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 December 31, 2015, the total par value of the investment pool was \$3,223,855,273.60. The total cost was \$3,224,114,720.65. The market value was \$3,222,613,057.91 which was 99.95% of the cost. More than \$2.59 billion representing about 80% of the portfolio will mature in less than a year. The weighted yield to maturity was 0.64% with the weighted average days to maturity of 228 days. The weighted duration was 0.62 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 December 31, 2015. The market value of the investment pool was up by approximately \$854 million compared to the previous quarter end, and was up by approximately \$617 million compared to the same quarter end of the previous year. About 87% of the portfolio was managed by the Treasurer's Office while the remaining was managed by the external managers. The market value of \$3.22 billion was the highest quarter-ending balance in the history of Contra Costa County's treasury pool.

Ms. Zhu presented Page 3 Investment Pool at a Glance, where the Quarterly Weighted Yield to Maturity graph shows an upward line as of December 31, 2015 indicating a steady increase of yield to maturity in the past couple of years. However, the yield has dropped significantly since the beginning of January 2016.

Mr. Grubb asked if we cap the investments to a certain amount in the Well Cap portfolio. Mr. Watts responded that we generally keep about \$45 million investments with Wells Cap to offset our banking costs. Mr. Grubb asked why we closed the Bank of America portfolio. Ms. Zhu reminded the Committee that the Bank of America portfolio was strategically closed to reduce the total number of external managers, hence, reduce the management fees.

Ms. Zhu presented the Major Market and Economic Data where she added the historical information of Underemployment Rate per Mr. Heinrich's suggestion in the previous meeting. Underemployment Rate is a measure of employment and labor utilization in the economy that indicates how well the labor force is being utilized in terms of skills, experience, and availability to work. One example of underemployment would be that a person is looking for full-time work and was only able to secure a part-time job. Another instance would be if an engineer could not find an engineer related job but took on a pizza delivery job. As of December 31, 2015, the Underemployment Rate was 9.8% and the Unemployment Rate was 4.8%.

Ms. Zhu presented the Exhibits to the investment report and stated there were no major changes or exceptions.

Mr. Granzella called a motion for approval of the investment report. Mr. Hatfield moved, seconded by Mr. Grubb to approve the December 31, 2015 Quarterly Investment Report. The motion passed unanimously with ayes from Mr. Granzella, Mr. Anderson, Mr. Bouchet, Mr. Clark, Mr. Grubb, and Mr. Hatfield.

### 3. APPROVE ANNUAL AUDIT FOR CALENDAR YEAR 2015

Ms. Zhu requested that the Committee approve an annual audit of Treasury by the Contra Costa County Auditor-Controller for the Calendar Year 2015.

Mr. Granzella called a motion for approval of the annual audit. Mr. Grubb moved, seconded by Mr. Hatfield to approve the Annual Audit for Calendar Year 2015. The motion passed unanimously with ayes from Mr. Granzella, Mr. Anderson, Mr. Bouchet, Mr. Clark, Mr. Grubb, and Mr. Hatfield.

## **INFORMATION ITEMS (continued with remaining items)**

### 2. Delegation of Investment Authority

Ms. Zhu informed the Committee that Contra Costa County Board of Supervisors had approved a one-year delegation of investment authority to the County Treasurer.

### 3. Form 700

Ms. Zhu explained that according to the notice received from the Office of Clerk of the Board, the new filing system wasn't ready for use currently. Therefore, all Form 700 should be submitted in paper this year. It would be greatly appreciated that all paper submissions are received by Ms. Zhu prior to March 14, 2016 to meet the deadline of March 31, 2016.

## **MISCELLANEOUS**

### 1. Staff Report

Mr. Watts reported that the Contra Costa County Board of Supervisors had their retreat where they discussed the 2016 budget, which appeared to be on track so far.

### 2. Committee Member Comments

No Comments.

**ESTABLISHMENT OF NEXT MEETING DATE:**

Tuesday, May 17, 2016.

Mr. Granzella adjourned the meeting at 4:09 p.m.

Respectfully submitted,

Esther Garibay-Fernandes  
Treasurer's Investment Operations Analyst

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