

# TREASURY OVERSIGHT COMMITTEE MEETING

May 17, 2016

## MINUTES

Members Present: Alfred Granzella, Edgar Grubb, Jerome Hatfield, and Dan Heinrich.

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

Members Absent: Donald Bouchet, Scott Anderson, and Bill Clark

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

## PUBLIC COMMENT

Mr. Watts welcomed Mr. Michael T. Caine of the West County Wastewater District who is elected by unanimous vote as the representative to the Treasury Oversight Committee by the Contra Costa Chapter of the Special Districts. Mr. Caine will replace Mr. Granzella as a result of Mr. Granzella's retirement from the District, and will serve out the remainder of Mr. Granzella's term, ending April 30, 2018.

## ACTION ITEMS

### 1. ELECT OFFICERS FOR FISCAL YEAR 2016-2017

#### a. Committee Chair

It was moved by Mr. Grubb and seconded by Mr. Heinrich to nominate Mr. Bouchet as the Chair of the Committee. There were no further nominations. The nominations were closed. Mr. Bouchet was elected as Chair of the Treasury Oversight Committee for the FY 2016-2017 by a vote of 4 ayes from Mr. Granzella, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

#### b. Committee Vice Chair

It was moved by Mr. Grubb and seconded by Mr. Heinrich to nominate Mr. Clark as the Vice Chair of the Committee. There were no further nominations. The nominations were closed. Mr. Clark was elected as Vice Chair of the Treasury Oversight Committee for the FY 2016-2017 by a vote of 4 ayes from Mr. Granzella, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

### 2. APPROVE CALENDAR YEAR 2015 TREASURY AUDIT REPORT

Ms. Sandra Bewley presented the Executive Summary for the Audit performed by the Auditor-Controller's Office for the period January 1, 2015 through December 31, 2015. Ms. Bewley indicated that they had examined the accounts, records, and procedures of the County Treasurer as well as the records and procedures of the Treasury Oversight Committee for the calendar year 2015. Based on the results of their audit tests and procedures, they concluded that all Government codes and requirements were being met by the Treasurer, that the Treasurer's investment portfolio was in compliance with the County Investment Policy, and that existing internal controls ensured the safeguarding of the County's financial assets. There were no audit recommendations. She thanked the Treasury staff for their cooperation and assistance.

Mr. Granzella called a motion for approval. Mr. Grubb moved, seconded by Mr. Heinrich to approve calendar year 2015 Treasury Audit Report. The motion passed unanimously with ayes from Mr. Granzella, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

### 3. APPROVE FEBRUARY 16, 2016 TREASURY OVERSIGHT COMMITTEE

#### MEETING MINUTES

Some minor corrections were made.

Mr. Granzella called a motion for approval of the minutes. Mr. Hatfield moved, seconded by Mr. Grubb to approve the February 16, 2016 Treasury Oversight Committee meeting minutes. The motion passed unanimously with ayes from Mr. Granzella, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

### 4. APPROVE MARCH 31, 2016 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the March 31, 2016 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 March 31, 2016, the total par value of the investment pool was \$3,288,022,252.07. The total cost was \$3,287,003,654.96. The market value was \$3,292,381,060.95 which was 100.16% of the cost. More than \$2.60 billion representing about 79% of the portfolio will mature in less than a year. The weighted yield to maturity was 0.77% with the weighted average days to maturity of 225 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 March 31, 2016. The market value of the investment pool was up by \$69.8 million compared to the previous quarter end, and was up by \$702.4 million compared to the same quarter end of the previous year. Approximately 89% of the portfolio was managed by the Treasurer's Office while the remaining was managed by the external managers. An additional investment type, Supranationals, was added to the summary report. Supranational(s) became a permissible investment category by Government Code effective January 1, 2015. Staff has researched and monitored them for over a year before initial investments. Mr. Hatfield requested that an explanation of "Supranationals" be included in the Glossary of Terms section of the Investment Policy. Ms. Zhu agreed. Mr. Heinrich inquired about relatively high cash level as of March 31, 2016. Ms. Zhu answered that it was due to receipt of large property tax payments due on April 10<sup>th</sup>.

Ms. Zhu presented the Major Market and Economic Data where she added the Underemployment graph per Mr. Heinrich's suggestion in the previous meeting.

Mr. Hatfield inquired about the description of the securities listed on Page 15 of the report, under Investment Type 26 – Agency ABS Fxd–M 30/360 – what "ACE" and "SRS" stand for. Ms. Zhu explained these securities were purchased by PFM and we abbreviated names so they can fit into the description line. Ms. Zhu agreed to update the Committee with the complete description of these securities for clarification.

Ms. Zhu stated no material changes made to Exhibits except one update to Exhibit V(a) made after distribution of the meeting package. A revised Exhibit V(a) was distributed to the Committee during the meeting.

Mr. Granzella called a motion for approval of the investment report. Mr. Grubb moved, seconded by Mr. Heinrich to approve the March 31, 2016 Quarterly Investment Report. The motion passed unanimously with ayes from Mr. Granzella, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

5. APPROVE CONTRA COSTA COUNTY TREASURER'S ANNUAL INVESTMENT POLICY FOR FISCAL YEAR 2016-2017

Ms. Zhu stated that a few changes were made to the Investment Policy and highlighted those changes for the Committee's review. On Page 9, the rating limitation is added in accordance with CDIAC's interpretation of Government Code 53601 – both the percentage and rating limitation for a particular category of the investment apply at the time of purchase.

On page 21 of the Policy, Section 16.0 Compensation and Section 17.0 Calculating and Apportioning Pool Earnings, detailed calculation method is deleted and is replaced with general statements in accordance with Government Code 27013 and

53684(b) which allow the Treasurer to deduct actual administrative costs from the interest earnings before apportioning the remaining to all treasury pool participants.

On Page 28, two more primary dealers, Societe Generale, New York Branch and Wells Fargo Securities LLC, were added to the Approved Primary Dealers list in accordance with the changes made by the Federal Reserve Bank of New York.

Lastly, the Conflict of Interest Code was included in the Policy per the Committee's request.

Ms. Zhu reiterated that the definition of Supranationals will be added to the Glossary of Terms.

Mr. Granzella called a motion for approval of the Policy. Mr. Hatfield moved, seconded by Mr. Heinrich to approve the Contra Costa County Treasurer's Annual Investment Policy for Fiscal Year 2016-2017. The motion passed unanimously with ayes from Mr. Granzella, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

## **INFORMATION ITEMS**

### **1. Standard & Poor's Rating**

Ms. Zhu stated that the Standard & Poors rated Contra Costa County investment portfolio (as of 3/31/16) AAf/S1+ signifying the highest credit quality and the lowest volatility. The County investment portfolio has received the same credit rating from S&P since 2007.

### **2. Review of Committee Bylaws**

Ms. Zhu informed the Committee that the Bylaws were reviewed and no proposed changes. The Committee suggested including specific language in the Bylaws to clarify if "call-in" is considered "present" to form a quorum. Ms. Zhu confirmed that "call-in" is considered "present" to form a quorum.

## **MISCELLANEOUS**

### **1. Staff Report**

No Comments.

### **2. Committee Member Comments**

No Comments.

## **ESTABLISHMENT OF NEXT MEETING DATE:**

Tuesday, August 16, 2016.

Mr. Granzella adjourned the meeting at 5:05 p.m.

Respectfully submitted,

Esther Garibay-Fernandes  
Treasurer's Investment Operations Analyst

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