

# TREASURY OVERSIGHT COMMITTEE MEETING

August 16, 2016

## MINUTES

Members Present: Donald Bouchet, Scott Anderson, Michael Caine, Edgar Grubb, Jerome Hatfield, and Dan Heinrich.

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

Members Absent: Bill Clark

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

## PUBLIC COMMENT

None

## ACTION ITEMS

### 1. APPROVE MAY 17, 2016 MINUTES

Mr. Hatfield followed up on the two security descriptions discussed at the previous meeting. Ms. Zhu explained that "ACES" stands for Alternative Credit Enhancement Securities. It is a type of multiclass mortgage-related securities in which interest and principal payments from mortgages are structured into separately traded securities. "SRS" stands for series. The full description for the specific security in question would be Fannie Mae Series 2015-M13. However, due to limited space on the description line, the security names are always abbreviated as best as possible. Mr. Caine also pointed out that his last name should be "Caine" and not "Cain" as it appeared in last meeting's minutes. Ms. Zhu apologized and assured to make the change.

Mr. Bouchet called a motion for approval of the minutes. Mr. Heinrich moved, seconded by Mr. Grubb to approve the May 17, 2016 Treasury Oversight Committee meeting minutes. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Anderson, Mr. Caine, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

### 2. APPROVE JUNE 30, 2016 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented June 30, 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 June 30, 2016, the total par value of the investment pool was \$3,318,656,801.66. The total cost was \$3,316,430,137.38. The market value was \$3,324,733,399.00 which was 100.25% of the cost. More than \$2.56 billion representing about 77% of the portfolio will mature in less than a year. The weighted yield to maturity was 0.84% with the weighted average days to maturity of 227 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 June 30, 2016. The market value of the investment pool was up by \$32.4 million compared to the previous quarter end, and was up by \$424.7 million compared to the same quarter end of the previous year. Approximately 88% of the portfolio was managed by the Treasurer's Office while the remaining portion was managed by the external managers.

Ms. Zhu handed out a replacement for Page 4, the Major Market and Economic Data where last minute revision was made to Quarter over Quarter Change in Gross Domestic Product (GDP) as the GDP data was revised by the Bureau of Economic Analysis of U.S. Department of Commerce.

The Committee inquired what types of reports are provided to the County Board of Supervisors (BOS). Mr. Watts responded that we submit a monthly transaction report to them in addition to the quarterly investment report. The Committee further inquired what version of the quarterly investment report was submitted to the BOS. Ms. Zhu noted that the full version of the quarterly investment report with all exhibits is submitted for the BOS' adoption upon approval of the Committee. The quarterly investment reports are also posted on the website of Treasurer-Tax Collector's Office without the exhibits. The Committee asked roughly how much the annual pension pre-payment was made to Contra Costa County Employees Retirement Association each year. Ms. Zhu responded that each year the total amount for all employers was about \$250-275 million. The Committee also asked if we have any trouble purchasing commercial papers (CPs) as the CP market is shrinking. Ms. Zhu responded that we have not encountered any issues. She added that since we cannot invest in Repurchase Agreements currently, we use CalTRUST Short-Term Fund as an alternative investment vehicle where the yield is higher than the overnight REPO with one day call of principal provision. The CalTRUST Short-Term Fund as of June 30, 2016 was about \$1.3 billion in which our investments were about \$133 million. We are one of the largest investors in that fund. Mr. Caine questioned the "Unrealized Gains/Losses" on the report where some securities show large negatives. Ms. Zhu explained that the negatives are unrealized losses calculated based on the current market values of the securities. In an interest rising environment, the market values of the securities bought several years ago with lower

coupon rates tend to decrease. Since we employ a buy and hold investment strategy, i.e. always hold the securities to maturity at par, the unrealized losses do not impact on our portfolio earnings.

Ms. Zhu stated that no exceptions are noted to Exhibits.

Mr. Bouchet called a motion for approval of the investment report. Mr. Grubb moved, seconded by Mr. Heinrich to approve June 30, 2016 Quarterly Investment Report. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Anderson, Mr. Caine, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

### **INFORMATION ITEMS**

None

### **MISCELLANEOUS**

#### 1. Staff Report

No Comments.

#### 2. Committee Member Comments

No Comments.

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

Tuesday, November 15, 2016.

Mr. Bouchet adjourned the meeting at 4:00 p.m.

Respectfully submitted,

Esther Garibay-Fernandes  
Treasurer's Investment Operations Analyst

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