

TREASURY OVERSIGHT COMMITTEE MEETING

November 15, 2016

MINUTES

Members Present: Donald Bouchet, Bill Clark, Jerome Hatfield, and Dan Heinrich.

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

Members Absent: Scott Anderson, Michael Caine, and Edgar Grubb.

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

PUBLIC COMMENT

None.

ACTION ITEMS

1. APPROVE AUGUST 16, 2016 MINUTES

Ms. Zhu informed the Committee that one typo was found in the August 16, 2016 Minutes after the distribution. On Page 1, the fourth line of Paragraph 1, the word "form" should be "from". The final version of the minutes has already been corrected.

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

2. APPROVE SEPTEMBER 30, 2016 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented September 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 September 30, 2016, total par value of the investment pool was \$2,665,942,010.76. The total cost was \$2,664,640,891.92. The market value was \$2,670,163,410.27 which was 100.21% of the cost. Over \$1.93 billion representing more than 72% of the portfolio will mature in less than a year. The weighted yield to

maturity was 0.90% with the weighted average days to maturity of 248 days. The weighted duration was 0.68 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, 2016. The market value of the investment pool was down by \$654.6 million compared to the previous quarter end, and was up by \$300.7 million compared to the same quarter end of the previous year. Approximately 87% of the portfolio was managed by the Treasurer's Office while the remaining portion was managed by the external managers. Ms. Zhu reiterated that historically the assets level of the Investment Pool at the end of the first quarter of each fiscal year is always lowest compared to other quarters due to payments of large expenditures.

Due to change of the new reporting system, the "Ticket" column of the portfolio holding report provided by CalTRUST is eliminated. There were some minor reporting issues with CalTRUST. Most of them had been addressed after a few rounds of discussions.

Ms. Zhu also informed the Committee that to meet GASB 72 fair value disclosure requirements, we will categorize the fair value measurements into three different levels established by generally accepted accounting principles in our future reports. The Treasury staff is in discussions with both internal and external auditors regarding the same.

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

INFORMATION ITEMS

1. Standard & Poor's Rating

Ms. Zhu informed the Committee that Standard & Poors rated Contra Costa County investment portfolio (as of 9/30/16) AAAf/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 2017

Ms. Zhu confirmed the 2017 meeting dates.

MISCELLANEOUS

1. Staff Report

Ms. Zhu informed the Committee that Standard & Poor Global Ratings is in the process of collecting comments on its proposed revisions to the Fund Credit Quality Ratings (FCQR) and Fund Volatility Ratings (FVR) criteria. According to the proposed revisions, our Treasury Pool will be downgraded by one notch to AA+ from current AAA rating largely due to our significant holdings in A-1 paper and AA+ U.S. Agencies notes. The Treasurer's Office manages the Treasury Pool investments in accordance with our Investment Policy and California Government Code and constructs the portfolio in a consistent and prudent manner. Given limited availability of A-1+ short-term paper and AAA rated securities on the market, plus the regulatory limitations on permissible securities, for the amount of cash we have to invest regularly, it would be unlikely for us to construct a AAA portfolio by using the proposed credit factors. Staff believes and Committee agreed that it would not be prudent to change our portfolio construction approach because of S&P's changes made to FCQR and FVR criteria in order to get an AAA rating. The Committee asked S&P's implementation timeline of the new FCQR and FVR criteria. Ms. Zhu responded that S&P is still collecting comments from its clients and had not finalized the proposed revisions yet. The Committee also requested a copy of the presentation made by S&P regarding the subject matter. Ms. Zhu agreed to email the presentation to the Committee.

2. Committee Member Comments

No Comments.

ESTABLISHMENT OF NEXT MEETING DATE:

Tuesday, February 21, 2017.

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

Respectfully submitted,

Ronda Boler
Executive Secretary

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