

TREASURY OVERSIGHT COMMITTEE MEETING

May 16, 2017

MINUTES

Members Present: Bill Clark, Edgar Grubb, and Jerome Hatfield.

Also Present: Russell V. Watts, Treasurer-Tax Collector, Brice Bins, Deputy Treasurer-Tax Collector, Belinda Zhu, Assistant County Treasurer, and Ronda Boler, Executive Secretary. Ian Irao, Auditor I, Sandi Bewley, Auditor III, and Joanne Bohren, CPA, Chief Auditor, Contra Costa County Auditor-Controller's Office.

Members Absent: Donald Bouchet, Scott Anderson, Dan Heinrich, and Stanley Caldwell.

Bill Clark called the Treasury Oversight Committee meeting to order at 3:00 p.m.

PUBLIC COMMENT

None.

ACTION ITEMS

1. APPROVE NOVEMBER 15, 2016 TREASURY OVERSIGHT COMMITTEE MEETING MINUTES

Ms. Zhu presented the November 15, 2016 Treasury Oversight Committee meeting minutes to the Committee. No questions were raised. Due to lack of quorum, this item was tabled to the next Treasury Oversight Committee meeting for approval.

2. APPROVE FEBRUARY 21, 2017 TREASURY OVERSIGHT COMMITTEE MEETING MINUTES

Ms. Zhu presented the February 21, 2017 Treasury Oversight Committee meeting minutes to the Committee. No questions were raised. Due to lack of quorum, this item was tabled to the next Treasury Oversight Committee meeting for approval.

3. APPROVE CALENDAR YEAR 2016 TREASURY AUDIT REPORT

Mr. Ian Irao presented the Executive Summary for the Audit performed by the Auditor-Controller's Office for the period January 1, 2016 through December 31, 2016. Mr. Irao stated that they had examined the account, records, and procedures of the County Treasurer as well as the record and procedures of the Treasury Oversight Committee for the calendar year 2016. Based on the results of their audit tests and procedures, they concluded that in all material respects, the compliances are met; however, in the area of investment of local agency funds, the investment purchase

process needs to be strengthened. Specifically, one commercial paper investment exceeded the maximum 270 days at the time of purchase by four days. Ms. Zhu informed the Committee how the error was made and that detailed information was provided to the internal auditors at the time of discovery in July 2016. Ms. Zhu stated that a written response to the recommendation included in the audit report will be submitted to the Auditor-Controller's Office within 30 days.

Due to lack of quorum, no motion was made to approve this item.

4. APPROVE MARCH 31, 2017 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented March 31, 2017 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, 2017, the total par value of the investment pool was \$3,606,457,631.82. The total cost was \$3,601,803,201.31. The total market value was \$3,602,323,958.53 which was 100.01% of the cost. Over \$2.91 billion representing more than 80% of the portfolio will mature in less than a year. The weighted yield to maturity was 1.08% with the weighted average days to maturity of 204 days. The weighted duration was 0.56 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 the Contra Costa County Investment Pool summary report as of March 31, 2017. The market value of the investment pool was down by 28.0 million compared to the previous quarter end, and was up by \$309.9 million compared to the same quarter end of the previous year. Approximately 89.5% of the portfolio was managed by the Treasurer's Office while the remaining portion was managed by the external managers.

Ms. Zhu informed the Committee that a new page providing detailed earning statistics and portfolio statistics of the Pool was added to the Report. Fiscal Year to Date, the total net earnings of the Pool were \$22.2 million, representing an earned income yield of 0.99%. For the quarter ending March 31, 2017, the total net earnings of the Pool were \$9.0 million, representing an earned income yield of 1.08%.

Due to lack of quorum, no motion was made to approve the report. Ms. Zhu stated that the March 31, 2017 Quarterly Investment Report will be submitted for the Contra Costa County Board of Supervisors' approval. The Committee agreed.

5. APPROVE CONTRA COSTA COUNTY TREASURER'S ANNUAL INVESTMENT POLICY FOR FISCAL YEAR 2017-2018

Mr. Watts stated that minor revisions were made to the Treasurer's Annual Investment Policy to reflect changes in applicable laws, regulations, policies, and procedures. Mr. Hatfield pointed out a couple of typos in the document.

Due to lack of quorum, no motion was made to approve the report. Ms. Zhu stated that the Policy will be submitted for the Contra Costa County Board of Supervisors' approval. The Committee agreed.

INFORMATION ITEMS

1. Standard & Poor's Rating

Ms. Zhu stated that the Standard & Poors rated Contra Costa County investment portfolio (as of 3/31/17) 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.

Subsequently, Ms. Zhu provided an update to the Committee regarding S&P Global Ratings' proposed revisions to the Fund Credit Quality Ratings (FCQR) and Fund Volatility Ratings (FVR) criteria. According to S&P Global Ratings, the final FCQR and FVR criteria will be published toward the end of second quarter of 2017. A UCO (under criteria observation) identifier will be assigned to all ratings in scope of the criteria that are under review. The review will be completed within six months after the publication.

Ms. Zhu stated the Pool's rating might be negatively impacted by such criteria revisions made by S&P Global Ratings if we do not change our portfolio construction method. However, it would not be prudent to change the portfolio construction method employed by the Treasury Staff consistently as 1) it has been proven to be effective and efficient; and 2) it has served our portfolio well in achieving three goals - safety, liquidity and yield. The Committee reiterated its support for the Treasurer's decision not to change the existing portfolio construction method and portfolio characteristics purely because of the evaluation criteria changes made by the rating agency.

2. Review of Committee Bylaws

Mr. Watts informed the Committee that the Bylaws were reviewed and edited to reflect the current practice in place. The Committee suggested that Mr. Watts develop specific language in the Bylaws to add two Alternate Committee members, one Alternate to the Appointed officials and one Alternate to the Elected/Public members. Mr. Watts agreed. Quorum will still consist of four out of seven members.

3. Introduction of the New Website of Contra Costa County's Boards and Commissions

Ms. Boler informed the Committee about the new webpage titled, Board of Supervisors Appointed Bodies, Committees and Commissions: <http://www.co.contra-costa.ca.us/3418/Appointed-Bodies-Committees-and-Commissi>. The webpage offers the public to view the Boards & Commissions database along with main contact information and a member roster. It also provides online application and training for the same. Within 3 months of appointment (90-days), all members must certify completion of both 1) Brown Act and Better Government Ordinance Training Video and 2) Ethics Training at two year intervals.

MISCELLANEOUS

1. Staff Report

None.

2. Committee Member Comments

None.

ESTABLISHMENT OF NEXT MEETING DATE:

Tuesday, August 15, 2017.

Bill Clark adjourned the meeting at 4:20 p.m.

Respectfully submitted,

Ronda Boler
Executive Secretary

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