

TREASURY OVERSIGHT COMMITTEE MEETING

February 20, 2018

MINUTES

Members Present: Bill Clark, Stanley Caldwell, Julie Bautista, Edgar Grubb, Jerome Hatfield, and Dan Heinrich.

Also Present: Belinda Zhu, Assistant County Treasurer, Brice Bins, Deputy Treasurer-Tax Collector, and Ronda Boler, Executive Secretary. Karen Smith, Client Relations Director-Balance Sheet Assets and Lyle Defenbaugh, Client Relations Director-Balance Sheet Assets, Wells Capital Asset Management (Wells Cap), were also in attendance.

Members Absent: Donald Bouchet.

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

PUBLIC COMMENT

None.

ACTION ITEMS

1. APPROVE NOVEMBER 21, 2017 TREASURY OVERSIGHT COMMITTEE MEETING MINUTES

Mr. Hatfield pointed out that on Page 1 under Action Item 2, "September" is spelled incorrectly.

Mr. Clark called a motion for approval of the minutes as amended per the discussion. Mr. Heinrich moved, seconded by Mr. Grubb to approve the November 21, 2017 Treasury Oversight Committee meeting minutes. The motion passed unanimously with ayes from Mr. Clark, Ms. Bautista, Mr. Caldwell, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

2. APPROVE DECEMBER 31, 2017 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the December 31, 2017 Quarterly Investment Report (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, 2017, the total par value of the investment pool was \$3,772,874,549.44. The total cost was \$3,766,998,862.48. The market value was \$3,763,948,978.72 which was 99.92% of the cost. More than \$3.19 billion representing about 84% of the portfolio will mature in less than a year. The weighted yield to maturity was 1.41% with the weighted average days to maturity of 162 days. The weighted duration was 0.43 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, 2017. The market value of the investment pool was up by \$771.0 million compared to the previous quarter end, and was up by \$133.6 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 portion was managed by the external managers.

Ms. Zhu informed the Committee that S&P Global affirmed the AAf/S1+ ratings for the Contra Costa County Investment Pool after completion of their review in December 2017. Beginning January 2018, S&P Global will exclude the funds managed by Public Finance Management (PFM) in its rating analysis. Currently, PFM manages approximately \$170 million (about 5% of the Pool as of December 2017) for the Contra Costa Community College District (CCCCD) and Contra Costa County School Insurance Group (CCCSIG). These assets are excluded from the rating analysis because PFM has full investment discretion over funds allocated to them. Nevertheless, PFM investments are still subject to compliance with County Investment Policy and applicable CA Government Code. PFM manages the funds based on the liquidity and liability needs specific to CCCSIG and CCCCCD. The gains and losses derived from PFM's investments belong to these two pool participants, respectively, and are not shared with other County Pool participants. Please note, all other reports, including the quarterly investment report, are inclusive of PFM managed funds.

Ms. Zhu emphasized that the Contra Costa County Investment Pool should be able to retain the AAf/S1+ ratings with or without the funds managed by PFM, even with the newly changed evaluation matrix employed by S&P Global in 2017.

Mr. Clark called a motion for approval of the investment report. Mr. Grubb moved, seconded by Mr. Heinrich to approve December 31, 2017 Quarterly Investment Report. The motion passed unanimously with ayes from Mr. Clark, Ms. Bautista, Mr. Caldwell, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

3. APPROVE ANNUAL AUDIT FOR CALENDAR YEAR 2017

Mr. Clark called a motion for approval of the Annual Audit Calendar for Year 2017. Mr. Grubb moved, seconded by Mr. Heinrich to approve the Annual Audit for Calendar Year 2017. The motion passed unanimously with ayes from Mr. Clark, Ms. Bautista, Mr. Caldwell, Mr. Grubb, Mr. Hatfield, and Mr. Heinrich.

INFORMATION ITEMS

1. Overview of General Economy and Capital Market Conditions

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

2. Delegation of Investment Authority

Ms. Zhu informed the Committee that the Board of Supervisors approved in December the one-year delegation of investment authority to the County Treasurer.

3. Form 700

Ms. Boler informed the Committee that April 2, 2018 is the deadline to file Form 700 for 2018. Filing the Form 700 online is recommended because it makes the process of filing subsequent forms easier. It is not necessary to mail in a hard copy if the Committee members file online. Paper submittals are still acceptable. If the Committee members opt to mail in a paper Form 700 with an original signature, please submit it to Ronda Boler by the April 2nd, 2018 deadline.

MISCELLANEOUS

1. Staff Report

a. Federal Reserve's Consent Order with Wells Fargo & Company

Ms. Zhu reported to the Committee that on February 2, 2018, Wells Fargo announced that it entered into a consent agreement with the Federal Reserve to improve risk management, compliance and oversight at the company. The Federal Reserve would restrict the growth of Wells Fargo until it sufficiently improves its governance and controls.

2. Committee Member Comments

Mr. Hatfield announced that the February 20, 2018 TOC meeting would be his last meeting as a Committee member. Mr. Hatfield has served on the TOC for the past 17+ years with a perfect attendance. Mr. Hatfield has contributed significantly with his in-depth questioning and reviews that have been reflective in the Committee's

oversight. Both Mr. Bins and Ms. Zhu acknowledged Mr. Hatfield's invaluable contributions to Contra Costa County and the Treasury Oversight Committee. Mr. Hatfield will be truly missed.

ESTABLISHMENT OF NEXT MEETING DATE:

Tuesday, May 15, 2018.

Bill Clark adjourned the meeting at 4:12 p.m.

Respectfully submitted,

Ronda Boler
Executive Secretary

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