

TREASURY OVERSIGHT COMMITTEE MEETING

May 15, 2018

MINUTES

Members Present: Bill Clark, Donald Bouchet, Edgar Grubb (by phone), Dan Heinrich (by phone), and Dennis Reigle.

Also Present: Russell Watts, County Treasurer-Tax Collector, Belinda Zhu, Assistant County Treasurer, and Ronda Boler, Executive Secretary. Sandra Bewley and Ian Irao, Representatives from the Contra Costa County Auditor Controller's Office, were also in attendance.

Members Absent: Stanley Caldwell and Julie Bautista.

Donald Bouchet called the Treasury Oversight Committee meeting to order at 3:04 p.m.

PUBLIC COMMENT

None.

ACTION ITEMS

1. APPROVE FEBRUARY 20, 2018 TREASURY OVERSIGHT COMMITTEE MEETING MINUTES

Mr. Bouchet called a motion for approval of the minutes per the discussion. Mr. Grubb moved, seconded by Mr. Clark to approve the February 20, 2018 Treasury Oversight Committee Minutes. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Grubb, Mr. Heinrich and Mr. Reigle.

2. APPROVE CALENDAR YEAR 2017 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, 2017 through December 31, 2017. 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 2017. Based on the results of their audit tests and procedures, they concluded that in all material respects, the compliances are met; however, statutory requirements for confirming members of the Committee need to be strengthened. Specifically, one member of the Committee was nominated by the Treasurer but was not confirmed by the Board of Supervisors. Mr. Watts indicated that the Committee member has since been confirmed as a member by the Board of Supervisors.

Auditor Controller also noted that they had tested the prior year recommendation and all investments are within required maturity dates established by the CA Government Code.

Mr. Bouchet called a motion for the approval of the audit report. Mr. Clark moved, seconded by Mr. Grubb to approve the Calendar Year 2017 Treasury Audit Report. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Grubb, Mr. Heinrich, and Mr. Reigle.

3. APPROVE MARCH 31, 2018 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the March 31, 2018 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 March 31, 2018, the total par value of the investment pool was \$3,643,603,119.62. The total cost was \$3,636,774,502.91. The market value was \$3,631,513,938.99 which was 99.86% of the cost. More than \$3.07 billion, representing about 84% of the portfolio, will mature in less than a year. The weighted yield to maturity was 1.69% with the weighted average days to maturity of 165 days. The weighted duration was 0.44 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, 2018. The market value of the investment pool was down by \$132.4 million compared to the previous quarter end, and was up by \$29.2 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.

The Committee requested that the funds managed by PFM be moved from Section A, Investments Managed by Treasurer's Office to Section B, Investments Managed by Outside Contractors, on the Investment Pool summary report page as PFM is considered an outside investment manager. Ms. Zhu agreed.

Mr. Bouchet called a motion for approval of the investment report. Mr. Clark moved, seconded by Mr. Reigle to approve the March 31, 2018 Quarterly Investment Report. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Grubb, Mr. Heinrich, and Mr. Reigle.

4. APPROVE CONTRA COSTA COUNTY TREASURER'S ANNUAL INVESTMENT POLICY FOR FISCAL YEAR 2018-2019

Ms. Zhu stated that a few changes were made to the Treasurer's Annual Investment Policy for Fiscal Year 2018-2019 to make the Policy broader, and the language clear and consistent.

Mr. Heinrich pointed out that Page 14 Section 10.1.q of the Investment Policy had a double "or". Ms. Zhu acknowledged and will delete the extra "or" in the final version of the Investment Policy.

Mr. Bouchet called a motion to approve the Policy. Mr. Reigle moved, seconded by Mr. Clark to approve Contra Costa County Treasurer's Annual Investment Policy for Fiscal Year 2018-2019. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Grubb, Mr. Heinrich, and Mr. Reigle.

5. APPROVE CONTRA COSTA COUNTY TREASURY OVERSIGHT COMMITTEE BYLAWS

Ms. Zhu indicated no material changes to the Treasury Oversight Committee Bylaws upon review except two minor edits.

Mr. Bouchet called a motion for approval of the Bylaws. Mr. Clark moved, and seconded by Mr. Reigle to approve the Treasury Oversight Committee Bylaws. The motion passed unanimously with ayes from Mr. Bouchet, Mr. Clark, Mr. Grubb, Mr. Heinrich, and Mr. Reigle.

INFORMATION ITEMS

1. Standard & Poor's Rating

Ms. Zhu stated that the Standard & Poor's rated Contra Costa County investment portfolio (as of 3/31/18) 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.

MISCELLANEOUS

1. Staff Report

None.

2. Committee Member Comments

Mr. Clark mentioned that a few school districts in Contra Costa County are struggling and are in a poor financial situation. Currently the Byron School District is under

evaluation. Ms. Zhu advised that if any school district needs to apply for a temporary loan, they must meet the application deadline.

ESTABLISHMENT OF NEXT MEETING DATE:

Tuesday, August 21, 2018.

Donald Bouchet adjourned the meeting at 3:38 p.m.

Respectfully submitted,

Ronda Boler
Executive Secretary

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