

TREASURY OVERSIGHT COMMITTEE MEETING

May 21, 2019

MINUTES

Members Present: Edgar Grubb, Julie Bautista, Dennis Reigle, Robert Leete (Alternate), and John Phillips.

Also Present: Russell Watts, County Treasurer-Tax Collector, Belinda Zhu, Assistant County Treasurer, Lulis Lopez, Assistant Tax Collector, Ronda Boler, Executive Secretary, and representatives from the Auditor-Controller's Office: Henriette Browne and Jenny Arias Vilca.

Members Absent: Donald Bouchet, Stanley Caldwell, Bill Clark, Christine Rea (Alternate), and Parm Sandhu (Alternate)

Edgar Grubb called the Treasury Oversight Committee meeting to order at 3:00 p.m.

PUBLIC COMMENT

Russell V. Watts, Treasurer-Tax Collector, announced John Phillips (Moraga) was appointed by the Board of Supervisors on May 21, 2019 to fill Category 3, Public member seat on the Treasury Oversight Committee vacated by Dan Heinrich. Mr. Phillips was the only applicant for the vacated seat. Mr. Phillips is also a long-term trustee on Contra Costa County's Retirement Board. He will complete the remaining term, expiring on April 30, 2020.

ACTION ITEMS

1. APPROVE FEBRUARY 19, 2019 TREASURY OVERSIGHT COMMITTEE MEETING MINUTES

Mr. Grubb called a motion for approval of the minutes per the discussion. Mr. Reigle moved, seconded by Mr. Leete to approve the February 19, 2019 Treasury Oversight Committee minutes. The motion passed unanimously with ayes from Ms. Bautista, Mr. Grubb, Mr. Leete, Mr. Phillips, and Mr. Reigle.

2. APPROVE CALENDAR YEAR 2018 TREASURY AUDIT REPORT

Ms. Jenny Arias Vilca and Ms. Henriette Browne presented the Executive Summary for the Audit performed by the Auditor-Controller's Office for the period January 1, 2018 through December 31, 2018. Ms. Vilca stated that they had examined the accounts, records, and procedures of the County Treasurer as well as the records and procedures of the Treasury Oversight Committee for the calendar year 2018. Based on the results of their audit tests and procedures, they concluded that in all material respects, the compliances were met; however, two areas were recommended to be

strengthened. Specifically, 1) The Treasury Oversight Committee meeting agendas should be posted on the Treasurer-Tax Collector's website 96 hours in advance of the Committee meeting in accordance with the TOC Bylaws, and 2) a notation should be included in the Quarterly Investment Report to clarify the variance between the summary report and the supporting documents due to timing difference.

Ms. Henriette noted that they had tested the prior year recommendation to ensure all Committee members nominated by the Treasurer were confirmed by the Board of Supervisors, and this had been implemented. The audit concluded all current Committee members have been appointed in accordance with Government Code Section 27131.

Mr. Grubb called a motion for the approval of the audit report. Ms. Bautista moved, seconded by Mr. Leete to approve the Calendar Year 2018 Treasury Audit Report. The motion passed unanimously with ayes from Ms. Bautista, Mr. Grubb, Mr. Leete, Mr. Phillips, and Mr. Reigle.

3. APPROVE MARCH 31, 2019 QUARTERLY INVESTMENT REPORT

Ms. Zhu presented the March 31, 2019 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, 2019, the total par value of the investment pool was \$3,724,111,094.19. The total cost was \$3,705,990,210.95. The market value was \$3,714,709,510.44 which was 1.0024% of the cost. More than \$3.13 billion, representing about 84% of the portfolio, will mature in less than a year. The weighted yield to maturity was 2.48% with the weighted average days to maturity of 173 days. The weighted duration was 0.46 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, 2019. The market value of the investment pool was down by \$87.9 million compared to the previous quarter end, but was up by \$83.2 million compared to the same quarter end of the previous year. Approximately 86% 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 the Treasury Pool generated approximately \$51 million in interest earnings for the fiscal year 2017-2018. For the first three quarters of the fiscal year 2018-2019, the Treasury Pool had already generated about \$54.7 million. The estimated interest earnings for the entire fiscal year of 2018-2019 is approximately -\$70 million. However, Ms. Zhu noted that the interest earnings for the coming fiscal year may not be as good due to the potential interest rate cut.

Mr. Grubb called a motion for approval of the investment report. Ms. Bautista moved, seconded by Mr. Leete to approve the March 31, 2019 Quarterly Investment Report. The motion passed unanimously with ayes from Ms. Bautista, Mr. Grubb, Mr. Leete, Mr. Phillips, and Mr. Reigle.

4. APPROVE CONTRA COSTA COUNTY TREASURER'S ANNUAL INVESTMENT POLICY FOR FISCAL YEAR 2019-2020

Ms. Zhu stated that each year we conduct a comprehensive review of the Investment Policy (the "Policy") in accordance with California Government Code. This year we made changes to the Policy after an extensive panel review by California Municipal Treasurer's Association (CMTA). The main changes were in the following sections: 2.0 Scope, 7.0 Standard of Care, 13.0 Externally Managed Investment Pool, and 14.0 Portfolio Management Activity.

The Committee discussed the last sentence added to Section 2.0 Scope and asked if the investment funds that the Policy does not apply to were inclusive. Ms. Zhu responded in the affirmative. Therefore, it was agreed that as long as the Policy states where it applies, this last sentence should be deleted.

Mr. Grubb called a motion for approval of the Policy. Mr. Phillips moved, seconded by Mr. Grubb to approve Contra Costa County Treasurer's Annual Investment Policy for Fiscal Year 2019-2020. The motion passed unanimously with ayes from Ms. Bautista, Mr. Grubb, Mr. Leete, Mr. Phillips, 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 3/31/19) 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 November 19, 2007.

2. Review of Committee Bylaws

The Contra Costa County Treasury Oversight Committee Bylaws (the "Bylaws") are reviewed annually. Upon review of the Bylaws amended on May 15, 2018, Ms. Zhu stated that no revisions were made to the Bylaws this year.

MISCELLANEOUS

1. Staff Report

- Press Release – CMTA Investment Policy Certification Granted to Contra Costa County

On April 24, 2019, CMTA Investment Policy Certification was granted to Contra Costa County. This Investment Policy Certification recognizes that CMTA has validated that the Contra Costa County's Investment Policy adheres the State of California Government Code and meets the program requirements of 18 different topic areas deemed to be best practices for investment policies.

- Press Release – Wells Fargo CEO and President Tim Sloan to Retire

Ms. Zhu reported that a Press Release from Wells Fargo Bank (the Company) dated March 28, 2019 was distributed to us on June 30, 2019, regarding the retirement of Chief Executive Officer and President Timothy J. Sloan. The Company Board has elected C. Allen Parker, General Counsel, to serve as Interim CEO, President and member of the Board. An external search process is underway for Sloan's replacement.

2. Committee Member Comments

None.

ESTABLISHMENT OF NEXT MEETING DATE:

Tuesday, August 20, 2019.

Edward Grubb adjourned the meeting at 4:12 p.m.

Respectfully submitted,

Ronda Boler
Executive Secretary

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