

SAN MATEO COUNTY
TREASURY OVERSIGHT COMMITTEE

MINUTES

February 3, 2020

1. CALL TO ORDER

The meeting was called to order at 12:06 p.m. by Daneca Halvorson, Chair.

2. ROLL CALL

Introduction of the new Treasury Oversight Committee member, Connie Mobley-Ritter, Director, Treasury for the San Mateo County Transit District.

Members and guests were asked to introduce themselves during roll call.

MEMBERS IN ATTENDANCE

Daneca Halvorson (Treasurer, City of Daly City) **Chair**

Sandie Arnott (Treasurer-Tax Collector)

Stephanie Osaze (Finance Manager, Bay Area Air Quality Management District)

Robert Manchia (Budget Director, County Manager's Office)

Margie Gustafson (Administrator, County Office of Education)

Helen Fiscaro (Town of Colma)

Connie Mobley-Ritter (Director, Treasury - San Mateo County Transit District)

MEMBERS ABSENT

Denise Porterfield (Deputy Superintendent Fiscal & Operational Services Division)

STAFF IN ATTENDANCE

Tiffany Htwe (Financial Services Manager II)

Gina M. Luiz (Executive Assistant)

Anthony Clifford (Assistant Treasurer)

Timothy San Juan (Investment Services Specialist)

MEMBERS OF THE PUBLIC IN ATTENDANCE

Ken Schiebel (PFM)

Nancy Jones (PFM)

3. APPROVAL OF MINUTES – October 28, 2019

Robert Manchia made a motion to approve minutes from the October 28, 2019 meeting, seconded by Sandie Arnott. Meeting minutes were approved unanimously.

4. ECONOMIC REPORT – Ken Schiebel, PFM

Mr. Schiebel presented an economic update to highlight trends from 2019 and provide upcoming fiscal forecast. In 2019, there were significant changes to interest rates and the marketplace. In the beginning of 2019, the Fed cut rates three times throughout the year, starting in July. The rate cuts affected interest rates which caused yields to fall by almost a full percentage point from the beginning of the year to the end of the year. In terms of other market indicators, the yield spread started out high then narrowed significantly throughout 2019. At the end of the year, the yield spread was the narrowest it had been since the recession ten years ago. The stock market had a phenomenal year, and the S&P 500 was up over 31%.

Currently, GDP in the United States remains moderate yet steady for the year. At the end of 2019 GDP was 2.3%, which is less than 2018, but on trend. Consumer confidence remains high. Jobs and wages continue to grow, and the stock market is doing well. Spending is robust and the housing market is on the upswing. The unemployment rate is 3.5% which is a 50-year low. There was some worry last year that the economy may be heading into a recession. The first thing to trigger that thought was the inversion of the yield curve which caused long-term yields to fall below short-term yields. The Coronavirus is impacting travel and manufacturing, and it is causing a significant but uncertain effect. The United States and China are taking measures to contain the virus. However, there are impacts such as with lower interest rates and softening of the stock market.

Mr. Schiebel provided an update of the San Mateo County portfolio. PFM is managing a longer, core portion of the portfolio. The San Mateo County Investment department is internally managing the liquidity buffer and shorter-term portfolio. PFM added a layer to the portfolio; a commercial paper short-term portfolio to capture incremental benefits. The core portfolio statistics include: the pool is approximately \$4.5 billion dollars, the duration is two years, and the portfolio is broadly diversified. Credit quality is high, and the average credit quality is AA. The core portfolio yield was a little over 2% at the end of 2019. The County funded \$50 million in a separate short-term managed portfolio specifically designed for commercial paper and short-term investments tied to the County's expected cash flow. The key strategy highlights are to extend duration, buy longer term securities, and have a more laddered maturity structure.

5. INVESTMENT REPORT – Anthony Clifford, Assistant Treasurer

Mr. Clifford reported the Investment department is working with PFM on strategy. He noted that we began investing in CAMP, another division of PFM. He explained that we continue to take a conservative investment approach. He also reported that we are in compliance with Silicon Valley Consulting Group.

6. TREASURER'S REPORT – Sandie Arnott, Treasurer-Tax Collector

The Investment Policy and Delegation of Authority were approved by the San Mateo County Board of Supervisors on January 8, 2020. The Investment Policy was sent to all pool participants. Pool participants are required to sign off and acknowledge that they received the Investment Policy for our auditing records.

7. ORAL COMMUNICATION AND PUBLIC COMMENT

None

8. OTHER BUSINESS

Form 700 are due on April 1, 2020. Gina Luiz will email instructions from the San Mateo County Assessor-County Clerk-Recorder-Elections office to Treasury Oversight Committee members.

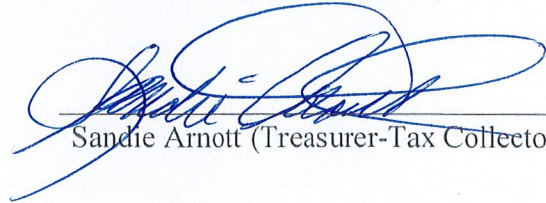
Sandie Arnott will be working with Denise Porterfield, Anthony Clifford, and Tim San Juan on a memo regarding withdrawal of funds. The Investment Policy will be edited to reflect the process.

9. ADJOURNMENT

The meeting was adjourned at 12:45 p.m.



Daneca Halvorson (Chair)



Sandie Arnott (Treasurer-Tax Collector)