

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM
2.7
(ID # 3372)

MEETING DATE:

Tuesday, January 31, 2017

FROM : TREASURER-TAX COLLECTOR:

SUBJECT: TREASURER-TAX COLLECTOR: Receive and File the Treasurer's Monthly Disclosure Report on Investments dated December 2016.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receives and files the Treasurer's "Monthly Disclosure Report on Investments" dated December 2016.

ACTION: Consent

[Signature]
Don Kent, Treasurer-Tax Collector 1/17/2017

[Signature]
Stephanie Peralta 1/17/2017

BACKGROUND:

Summary

The County Treasurer and Tax Collector is submitting the above noted report to the County Board of Supervisors in keeping with Section 53607 of the California Government Code, which requires a quarterly report on the status of investments. The practice has been to provide the Board with a monthly report. The report gives the various statistics on the portfolio as to overall composition, liquidity structure, credit quality on the various securities, and provides several trends on earning performance, average weighted maturity, and the portfolio's "paper loss or gain".

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: 2016/2017	

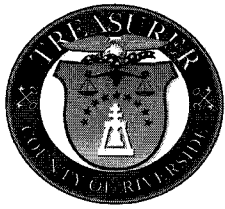
C.E.O. RECOMMENDATION: APPROVE

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Ashley and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Washington and Ashley
 Nays: None
 Absent: Tavaglione
 Date: January 31, 2017
 xc: Treasurer

Kecia Harper-Ihem
 Clerk of the Board
 By: *[Signature]*
 Deputy



December 2016

County of Riverside Treasurer's Pooled Investment Fund

"One for the Ages "

2016 undoubtedly will go down as a standout for one of the most contentious races for the White House in our history as a nation; much political and economic uncertainty swirled around this presidential election, and, the direction the United States and global economy will take afterwards.

The Federal Reserve and interest rates were also a big story for the month. As anticipated, on December 14th the FOMC raised short-term rates by 25 bps. for only the second time in a decade and predicted a quicker pace of tightening in 2017 with three hikes projected. The federal funds rate now stands at 75 bps. As you may remember, the last time they increased was December of last year; equity markets quickly followed up with nearly a 10% drop in the DOW as well as major impacts to other indices and world markets.

Not the same case this year as the post-election stock rally has propelled the DOW to nearly 20,000! Speaking after the meeting, Chairman Yellen said the FED was existing in a "cloud of uncertainty" as it weighs the possibility of tax and spending changes under the new Congress and administration. In their discussion of economic forecasts, FED members stressed their significant uncertainty about the timing, size, and structure of any future fiscal or economic policy initiatives as well as about how those policies would affect the economy. Members pointed out that depending on the mix of tax, spending, regulatory, and other policy changes, economic growth might turn out to be faster or slower than they currently anticipated. In other words, at this juncture, it's a crapshoot.

Given the results of the U.S. presidential election, there is a potential that we will see a significant pivot toward fiscal-spending programs domestically this year, which should have positive impacts on the U.S. economy, however, it will take some time to work its way through the system. Along with anticipated tax cuts, it will be additive to the burgeoning national debt in the short run. Geopolitical instability will likely continue for a period of time as some type of new world order takes shape. We expect the bond market to move along the same path as the FED hikes rates, however, not parabolic as moving the needle so to speak on an economy our size is like steering a ship the size of the Titanic (let's leave the icebergs out of it); it takes a while to actually have

an effect.

How does the most recent rise in interest rates (particularly market rates) affect the TPIF? It is important to mention to our readers about the difference between realized vs. unrealized gains or losses. On the bottom of this report, you will see two columns labeled "Paper Gain or Loss," expressed in dollars, and, as a percentage of the total. In the world of fixed income, there is an inverse relationship that exists in that when interest rates decline, there is a gain in the underlying value of the securities; the reverse is also true with rising rates and a loss in underlying value. We have not seen a negative number in a long while and expect that to continue in a rising rate environment.

The difference between having to realize a loss vs. not having to, is a function of understanding the cash flows of the County Treasury and having ample liquidity on hand to meet the needs of our depositors. Our Capital Markets team utilizes a twelve-month historical cash flow model and makes adjustments throughout the year to revenues and disbursements if they come in higher or lower than expected. Our major cash outflows are pre-funded months in advance to negate the need to ever sell a security before maturity, especially under adverse market conditions. We have taken the appropriate steps to immunize our portfolio from this and other economic hazards and to be observant of volatile economic conditions. Moreover, we will continue to adhere to our investment objectives of safety, liquidity and return.

Lastly, we would like to note the passing this month of the 4th District County Supervisor, John Benoit. At 64 years old, he was claimed way too young by pancreatic cancer. Supervisor Benoit had a long, successful and storied career in public service to Californians in law enforcement, as a school board member, State Assemblyman, State Senator and County Supervisor. I enjoyed a good working relationship with him in matters pertaining to this office and to the County as a whole. Our condolences go out to his family, friends and staff. Rest in peace John, you will be missed.

Don Kent

Treasurer-Tax Collector

Capital Markets

Team

Don Kent

Treasurer-Tax Collector

Jon Christensen

Asst. Treasurer-Tax Collector

Giovane Pizano

Investment Manager

Isela Licea

Asst. Investment Manager

Investment Objectives

The primary objective of the treasurer shall be to safeguard the principal of the funds under the treasurer's control, meet the liquidity needs of the depositor, and achieve a return on the funds under his or her control.

COUNTY OF RIVERSIDE TREASURER'S POOLED INVESTMENT FUND IS CURRENTLY RATED: Aaa-bf BY MOODY'S INVESTOR'S SERVICE AND AAA/V1 BY FITCH RATINGS

Month	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	Yrs to Maturity	Modified Duration
December	7,535,408,708.47	7,551,196,851.23	(15,788,142.76)	(0.21)	0.78	1.15	1.12
November	6,033,009,890.44	6,046,622,157.21	(13,612,266.77)	(0.23)	0.77	1.29	1.26
October	5,928,768,948.80	5,927,146,578.70	1,622,370.10	0.03	0.73	1.23	1.21
September	5,916,650,304.83	5,911,244,395.48	5,405,909.35	0.09	0.73	1.23	1.20
August	6,110,619,759.63	6,102,082,969.94	8,536,789.69	0.14	0.72	1.23	1.20
July	6,514,396,169.33	6,504,638,893.37	9,757,275.96	0.15	0.69	1.15	1.12

The Treasurer's Pooled Investment Fund is comprised of the County, Schools, Special Districts, and other Discretionary Depositors.

Current Market Data

Economic Indicators

Release Date	Indicator	Consensus	Actual
12/01/2016	Non-Farm Payrolls M/M change: Counts the number of paid employees working part-time or full-time in the nation's business and government establishments.	180,000	178,000
12/02/2016	Employment Situation: Measures the number of unemployed as a percentage of the labor force.	4.9%	4.6%
12/06/2016	Durable Goods Orders - M/M change: Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	3.4%	4.6%
12/22/2016	Real Gross Domestic Product - Q/Q change: The broadest measure of aggregate economic activity and encompasses every sector of the economy. GDP is the country's most comprehensive economic scorecard.	3.3%	3.5%
12/27/2016	Consumer Confidence: Measures consumer attitudes on present economic conditions and expectations of future conditions.	109.0	113.7
12/06/2016	Factory Orders M/M change: Represents the dollar level of new orders for both durable and nondurable goods.	2.6%	2.7%
12/15/2016	Consumer Price Index - M/M change: The Consumer Price Index is a measure of the average price level of a fixed basket of goods and services purchased by consumers.	0.2%	0.2%
12/15/2016	CPI Ex Food and Energy - M/M change: CPI Ex Food and Energy excludes food and energy.	0.2%	0.2%

Stock Indices

	Value	Change
Dow Jones (DJIA)	\$ 19,762.60	\$ 639.02
S&P 500 Index	\$ 2,238.83	\$ 40.02
NASDAQ (NDX)	\$ 4,863.62	\$ 52.81

Commodities

	Value	Change
Nymex Crude	\$ 53.72	\$ 4.28
Gold (USD/OZ)	\$ 1,152.27	\$ (20.98)

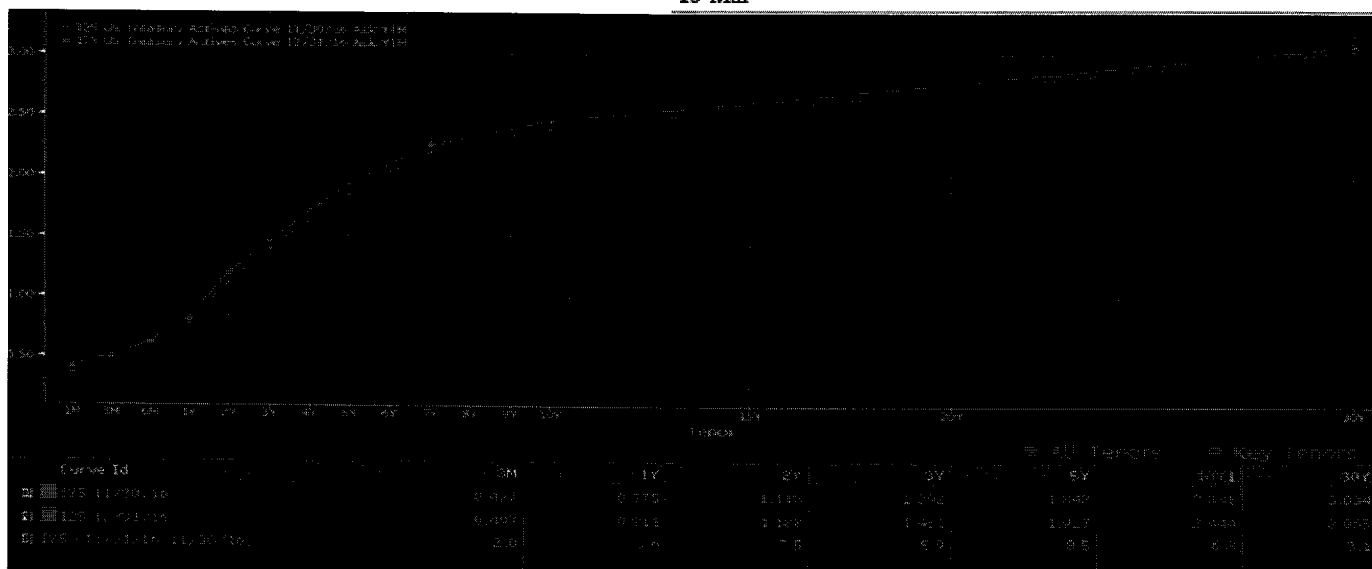
Fed Funds Target Rate

Fed Move	02/01/2017	03/15/2017
Stay at 0.50%-0.75%	87.6%	68.7%
Increase to 1.00%	12.4%	28.6%
Increase to 1.25%	0.0%	2.7%
Increase to 1.50%	0.0%	0.0%

FOMC Meeting Schedule

Release	%	Risk Assessment
01-Feb	-	-
15-Mar	-	-

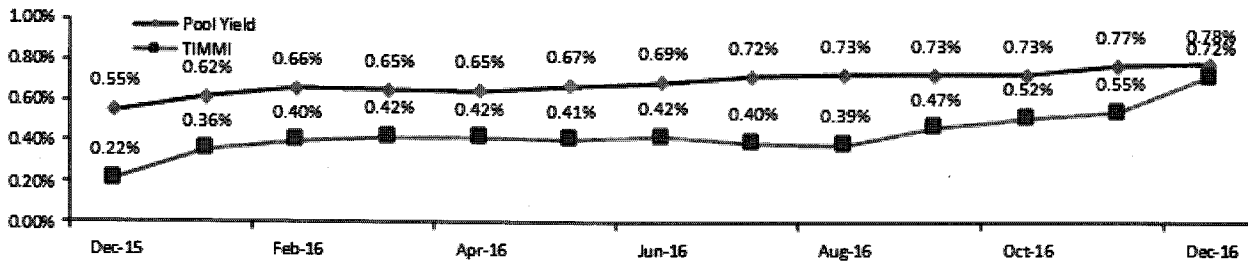
US Treasury Curve (M/M)



TIMMI

The Treasurer's Institutional Money Market Index (TIMMI) is compiled and reported by the Riverside County Treasurer's Capital Markets division. It is a composite index derived from four AAA rated prime institutional money market funds. Similar to the Treasurer's Office, prime money market funds invest in a diversified portfolio of U.S. dollar denominated money market instruments including U.S. Treasuries, government agencies, commercial paper, certificates of deposits, repurchase agreements, etc. TIMMI is currently comprised of the four multi billion dollar funds listed below.

AAA Rated Prime Institutional Money-Market Funds		
Fund	Fund Code	7-Day Yield
Fidelity Prime Institutional MMF	FIPXX	0.82%
Federated Prime Obligations Fund	POIXX	0.49%
Wells Fargo Advantage Heritage	WFJXX	0.72%
JP Morgan	CJPXX	0.85%



Cash Flows

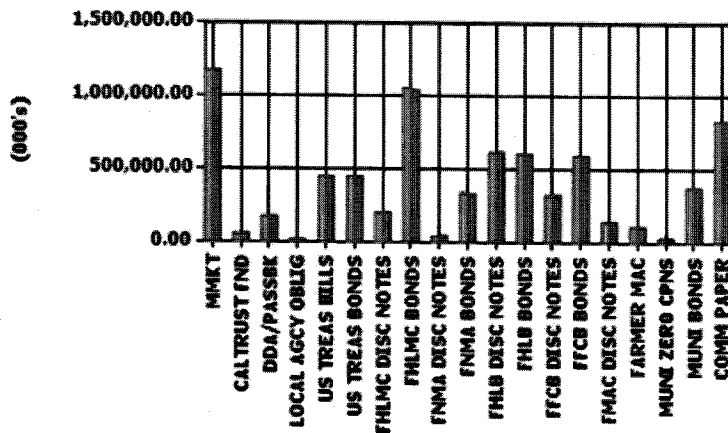
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Maturesd Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
01/2017					306.51		
01/2017	1,020.00	1,650.00	(630.00)	323.49	-	2,150.00	
02/2017	810.00	1,200.00	(390.00)	390.00	-	646.85	
03/2017	1,200.00	1,080.00	120.00		120.00	280.00	
04/2017	1,800.00	950.00	850.00		970.00	173.14	
05/2017	850.00	1,500.00	(650.00)		320.00	742.45	
06/2017	1,400.00	1,850.00	(450.00)	130.00	-	563.02	
07/2017	1,256.11	1,450.00	(193.89)	193.89	-	106.11	
08/2017	1,017.89	1,200.00	(182.11)	182.11	-	90.05	
09/2017	1,004.10	1,110.00	(105.90)	105.90	-	69.10	
10/2017	1,127.50	1,200.00	(72.50)	72.50	-	77.50	
11/2017	1,165.00	1,050.00	115.00		115.00	254.48	
12/2017	990.00	2,250.00	(1,260.00)	1,145.00	-	140.70	
TOTALS	13,640.60	16,490.00	(2,849.40)	2,542.89	1,331.51	3,293.40	5,008.30
				33.68%		70.10%	66.32%

* All values reported in millions (\$).

The Pooled Investment Fund cash flow requirements are based upon a 12 month historical cash flow model. Based upon projected cash receipts and maturing investments, there are sufficient funds to meet future cash flow disbursements over the next 12 months.

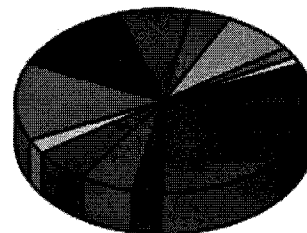
Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr)	Mat (Yr)
MMKT	1,175,000.00	1,175,000.00	1,175,000.00	100.00%	0.43%	.003	.003
CALTRUST FND	54,000.00	54,000.00	54,000.00	100.00%	0.91%	.003	.003
DDA/PASSBK	175,000.00	175,000.00	175,000.00	100.00%	0.62%	.003	.003
LOCAL AGCY OBLIG	265.00	265.00	265.00	100.00%	1.27%	3.458	3.458
US TREAS BILLS	450,000.00	448,827.30	449,189.17	100.08%	0.48%	.312	.312
US TREAS BONDS	450,000.00	450,130.08	449,982.25	99.97%	0.85%	.839	.839
FHLMC DISC NOTES	200,000.00	199,477.07	199,672.50	100.10%	0.47%	.306	.306
FHLMC BONDS	1,057,150.00	1,057,116.65	1,045,343.09	98.89%	1.22%	1.430	3.182
FNMA DISC NOTES	40,000.00	39,822.81	39,948.50	100.32%	0.54%	.244	.244
FNMA BONDS	335,000.00	334,968.55	330,575.40	98.69%	1.17%	1.716	3.145
FHLB DISC NOTES	618,000.00	615,595.24	616,755.71	100.19%	0.61%	.353	.353
FHLB BONDS	604,319.72	604,228.15	602,057.21	99.64%	1.06%	1.396	2.411
FFCB DISC NOTES	325,000.00	323,528.46	324,532.85	100.31%	0.55%	.268	.268
FFCB BONDS	592,910.00	593,005.73	591,581.93	99.76%	0.85%	1.661	2.026
FMAC DISC NOTES	140,000.00	139,471.16	139,798.70	100.23%	0.63%	.266	.266
FARMER MAC	108,850.00	108,850.00	108,987.67	100.13%	0.84%	1.097	1.097
MUNI ZERO CPNS	26,850.00	26,809.93	26,826.67	100.06%	0.68%	.129	.129
MUNI BONDS	369,160.00	372,046.99	372,046.99	100.00%	0.97%	1.336	1.336
COMM PAPER	835,000.00	833,053.73	833,845.08	100.09%	0.70%	.158	.158
Totals (000's):	7,536,504.72	7,551,196.85	7,535,408.71	99.79%	0.78%	.741	1.159



Scheduled Book
 Market

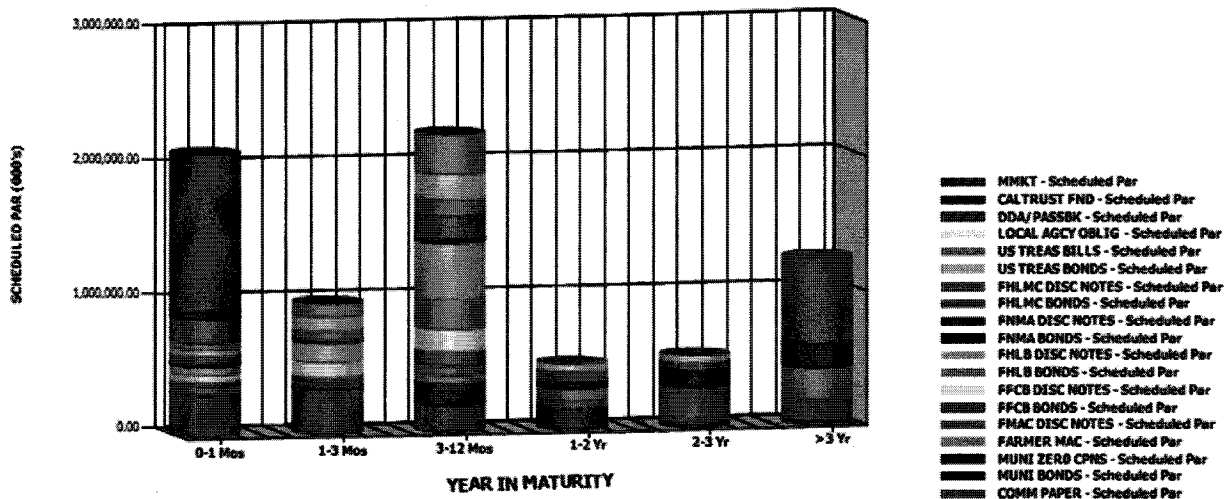
SCHEDULED PAR %



- MMKT - 16%
- CALTRUST FND - 1%
- DDA/PASSBK - 2%
- LOCAL AGCY OBLIG - 0%
- US TREAS BILLS - 6%
- US TREAS BONDS - 6%
- FHLMC DISC NOTES - 3%
- FHLMC BONDS - 14%
- FNMA DISC NOTES - 1%
- FNMA BONDS - 4%
- FHLB DISC NOTES - 8%
- FHLB BONDS - 8%
- FFCB DISC NOTES - 4%
- FFCB BONDS - 8%
- FMAC DISC NOTES - 2%
- FARMER MAC - 1%
- MUNI ZERO CPNS - 0%
- MUNI BONDS - 5%
- COMM PAPER - 11%

Maturity Distribution

Scheduled Par (000's)	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yr	2-3 Yr	>3 Yr	Totals (000's)
MMKT	1,175,000.00	-	-	-	-	-	1,175,000.00
CALTRUST FND	54,000.00	-	-	-	-	-	54,000.00
DDA/PASSBK	175,000.00	-	-	-	-	-	175,000.00
LOCAL AGCY OBLIG	-	-	-	-	-	265.00	265.00
US TREAS BILLS	50,000.00	100,000.00	300,000.00	-	-	-	450,000.00
US TREAS BONDS	50,000.00	105,000.00	185,000.00	60,000.00	50,000.00	-	450,000.00
FHLMC DISC NOTES	-	75,000.00	125,000.00	-	-	-	200,000.00
FHLMC BONDS	65,000.00	20,000.00	174,595.00	85,850.00	68,000.00	643,705.00	1,057,150.00
FNMA DISC NOTES	15,000.00	-	25,000.00	-	-	-	40,000.00
FNMA BONDS	-	-	-	40,000.00	120,000.00	175,000.00	335,000.00
FHLB DISC NOTES	62,000.00	140,000.00	416,000.00	-	-	-	618,000.00
FHLB BONDS	-	-	226,100.00	93,219.72	40,000.00	245,000.00	604,319.72
FFCB DISC NOTES	50,000.00	110,000.00	165,000.00	-	-	-	325,000.00
FFCB BONDS	34,000.00	45,000.00	105,900.00	55,000.00	195,310.00	157,700.00	592,910.00
FMAC DISC NOTES	65,000.00	-	75,000.00	-	-	-	140,000.00
FARMER MAC	-	25,000.00	58,850.00	-	25,000.00	-	108,850.00
MUNI ZERO CPNS	-	26,850.00	-	-	-	-	26,850.00
MUNI BONDS	-	-	160,085.00	157,370.00	34,915.00	16,790.00	369,160.00
COMM PAPER	305,000.00	330,000.00	200,000.00	-	-	-	835,000.00
Totals (000's)	2,100,000.00	576,850.00	2,216,085.00	491,439.72	635,225.00	1,238,460.00	7,256,504.72
%	27.79%	1.33%	29.33%	6.50%	7.09%	16.99%	
Cumulative %	27.79%	40.77%	70.12%	76.63%	83.61%	100.00%	

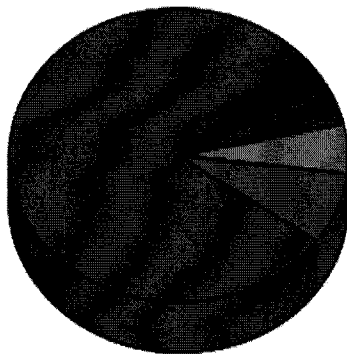


Credit Quality

Moody (000's)	Par	Book	Market	MKT/Book	Yield
Aaa	5,877,624.72	5,873,100.24	5,856,062.98	99.71%	0.79%
Aa1	338,580.00	339,117.40	339,281.46	100.05%	0.65%
Aa2	332,170.00	331,214.46	331,500.65	100.09%	0.77%
Aa3	409,015.00	409,178.58	409,509.75	100.08%	0.91%
NR	599,115.00	598,586.16	599,053.87	100.08%	0.66%
Totals (000's):	7,556,504.72	7,551,196.85	7,535,408.71	99.79%	0.78%

MOODY'S

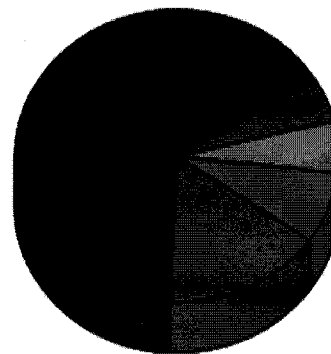
BOOK %



■ Aaa - 78% ■ Aa3 - 5%
 ■ Aa1 - 4% ■ NR - 8%
 ■ Aa2 - 4%

S & P

BOOK %

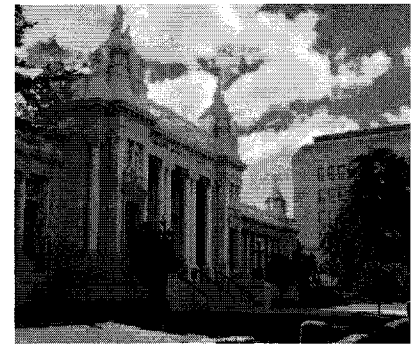


■ AAA - 16% ■ AA - 6%
 ■ AA+ - 66% ■ NR - 8%
 ■ AA- 5%

S&P (000's)	Par	Book	Market	MKT/Book	Yield
AAA	1,195,655.00	1,197,531.01	1,197,557.68	100.00%	0.46%
AA+	4,970,549.72	4,964,686.64	4,947,795.26	99.66%	0.86%
AA	357,170.00	356,827.71	357,113.90	100.08%	0.82%
AA-	434,015.00	433,565.33	433,880.00	100.07%	0.85%
NR	599,115.00	598,586.16	599,053.87	100.08%	0.66%
Totals (000's):	7,556,504.72	7,551,196.85	7,535,408.71	99.79%	0.78%

Full Compliance

The Treasurer's Pooled Investment Fund was in **FULL COMPLIANCE** with the Treasurer's Statement of Investment Policy. The County's Investment Policy is more restrictive than the California Government Code. This policy is reviewed annually by the County's Investment Oversight Committee and approved by the County Board of Supervisors.



Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Maturity	Authorized % Limit	SP/ Moody's	Maximum Maturity	Authorized % Limit	SP/ Moody's	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	5.28%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	11.90%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.5%	INVESTMENT GRADE	0.00%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	53.18%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	11.03%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	0.00%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.0%	NA	0.72%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	12.91%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	4.98%

¹ Mutual Funds maturity may be interpreted as weighted average maturity not exceeding 60 days.

² Or must have an investment advisor with not less than 5 years experience and with assets under management of \$500,000,000.



THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646



County of Riverside
Treasurer-Tax Collector
Capital Markets

4080 Lemon Street, 4th Floor
Riverside, CA 92502-2205

www.treasurer-tax.co.riverside.ca.us

(951) 955-3979