

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



ITEM
2.11
(ID # 10886)

MEETING DATE:

Tuesday, September 24, 2019

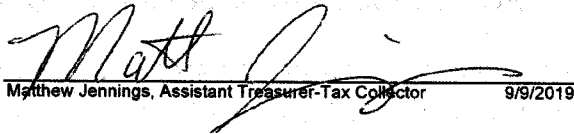
FROM : TREASURER-TAX COLLECTOR:

SUBJECT: TREASURER-TAX COLLECTOR: Receive and File the Treasurer's Monthly Disclosure Report on Investments dated July 2019.

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receives and files the "Monthly Disclosure Report on Investments" dated July 2019.


ACTION: Consent


Matthew Jennings, Assistant Treasurer-Tax Collector 9/9/2019

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Hewitt, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: September 24, 2019
xc: Treasurer

Kecia R. Harper
Clerk of the Board
By: 
Deputy

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

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: N/A	
			For Fiscal Year: 2019-2020	

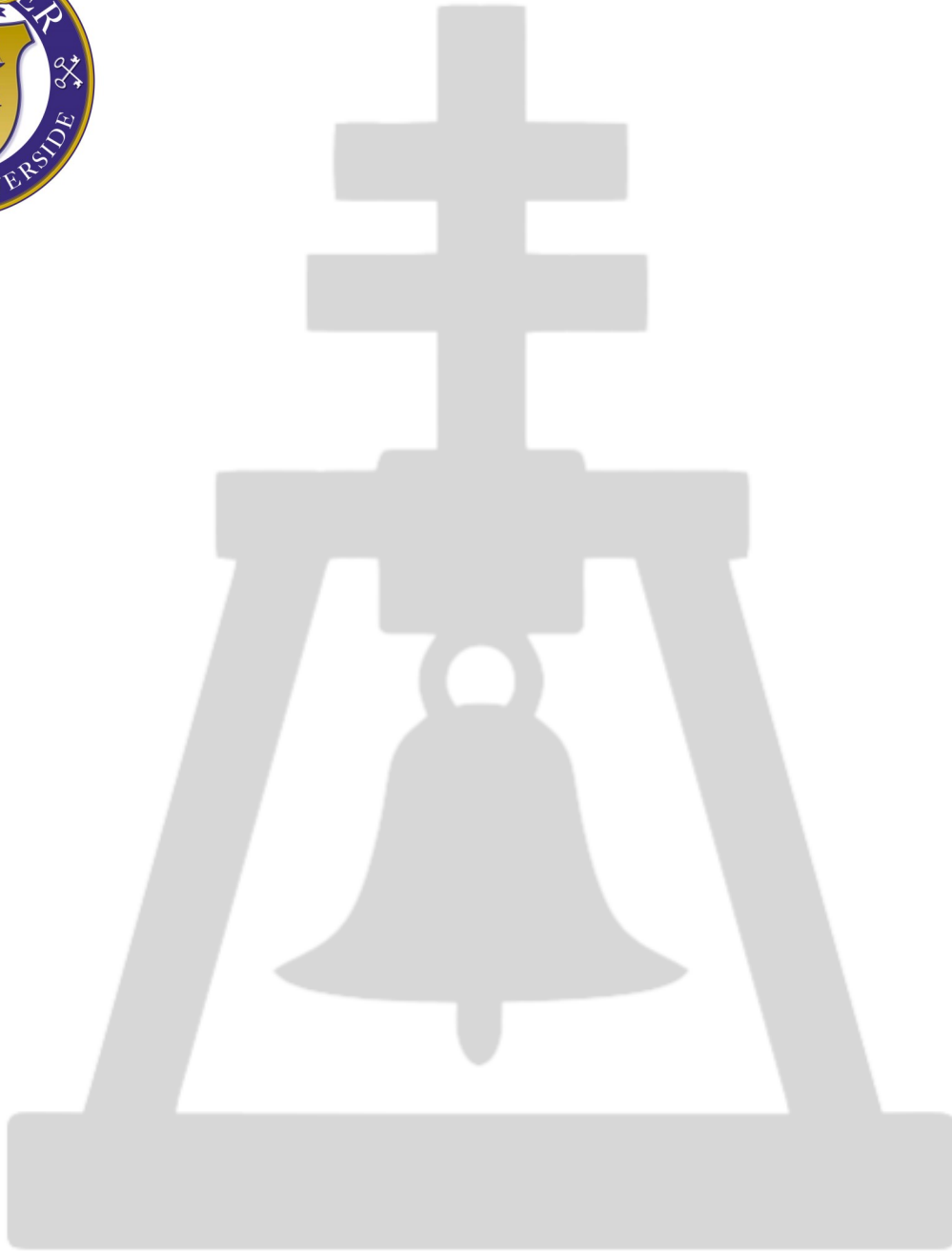
C.E.O. RECOMMENDATION: Approve

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".


 Stephanie Perez, Principal Management Analyst 9/16/2019



County of Riverside

Treasurer's Pooled Investment Fund

July 2019

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Federal Reserve Chair Jerome Powell during the May 1 FOMC press conference. Digital Image. Federal Reserve Board. <https://www.youtube.com/user/FedReserveBoard>

Treasurer's Pooled Investment Fund

Monthly Commentary

FED Independence Day

Despite a strong U.S. economy, the Federal Reserve (FED) fulfilled market expectations when they cut rates by 25 basis points at its July 31 meeting. This potentially marks the start to a new rate easing policy cycle. Federal Reserve Chair Jerome Powell cited slowing global growth, weak capital expenditures, and subdued inflation as the reasons for the rate cut decision, which was described as preventative treatment to ward off a slowdown. Others wonder if pressure from the President weighed on the decision.

Geopolitical tensions increased in Asia and the Middle East. Following the U.S. and China reaching an agreement to stall tariff escalations on June 29, rhetoric heated up once again in mid-July when the U.S. administration hinted at imposing additional tariff actions.

Markets sighed in relief when U.S. party leaders verbally agreed to raise budget caps and suspend the debt limit until the end of June 2021. The Congressional Budget Office projected this deal will raise the National Debt from \$22 trillion to nearly \$24 trillion.

In Europe, Boris Johnson celebrated his election victory as the new prime minister of the U.K. Currency markets reacted with the Pound hitting all-time lows, indicating an increased chance that the U.K.'s departure from the E.U. will be disruptive.

The advanced estimate for U.S. real GDP growth (SAAR) in 2Q19 came in at 2.1%. This is stronger than the consensus estimate of 1.8%, but weaker than 2Q18's final estimate of 3.5%.

The U.S. labor market remains firm, even as job growth continues to slow down in 2019 from 2018 levels. Year to date in June, 165k nonfarm jobs have been added per month in 2019 compared to 235k in 2018. Simultaneously, the unemployment rate and jobless claims cling to 50-year lows at 3.7% and 219k apiece.

Empowered by a strong job market the consumer confidence index rebounded to 135.7 in June, the highest recording of 2019. Additionally, consumer spending (SAAR) grew 4.3% in 2Q19.

The U.S. housing market continues to lack momentum following a weak 2018. Existing home sales fell 2.2% YoY in June and building permits dropped 6.1% from May, to 1.22M. Additionally, growth in home prices has fallen every month this year.

Consumer staples corporations The Coca-Cola Company, Procter & Gamble, and Johnson & Johnson all beat earnings expectations for the period ending June 30, 2019. Strong revenues were driven by their ability to increase prices without experiencing a pullback in volumes from customers.

In tech, Microsoft and Automatic Data Processing beat expectations while Apple's

earnings were in line. Cloud computing services continued to be a key driver of growth for Microsoft. Automatic Data Processing continued to capitalize on the strong business cycle. Sales of the iPhone fell 12% YoY for Apple, but strong growth in Apple's services and accessories segments drove overall earnings to meet expectations.

Caterpillar and Boeing continued to act as bellwethers for the weakening industrial sector. Caterpillar earned \$2.83 per share vs. consensus estimate of \$3.12 per share in 2Q19, citing trade tensions with China. Boeing reported a record-breaking loss of \$2.9 billion in 2Q19, due to its grounded 737 Max aircraft.

July saw intermediate Treasury yields rise slightly, with the 2-year starting at 1.78 and ending at 1.89 while the 5-year started at 1.79 and ended at 1.84. Yields moved up sharply during the first few days of the month due to strong manufacturing, construction, auto sales and payroll numbers. The surprising strength of these economic indicators removed any talk of a 50-basis-point cut. Mid-month saw renewed trade war rhetoric drive 2-year and 5-year yields back down to the 1.76 – 1.78 range. Then, the above-consensus GDP release near the end of the month raised yields to their closing levels.

Jon Christensen

Treasurer-Tax Collector

Capital Markets Team

Jon Christensen

Treasurer-Tax Collector

Giovane Pizano

Chief Investment Manager

Steve Faeth

Senior Investment Manager

Isela Licea

Assistant Investment Manager

Jake Nieto

Administrative Services Assistant

Treasurer's Statement

The Treasurer's Pooled Investment Fund is comprised of contributions from the county, schools, special districts, and other discretionary depositors throughout the County of Riverside. 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 to maximize a **return on the funds** within the given parameters.

The Treasurer-Tax Collector and the Capital Markets team are committed to maintaining the highest credit ratings. The Treasurer's Pooled Investment Fund is currently rated **Aaa-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**, two of the nation's most trusted bond credit rating services.

Since its inception, the Treasurer's Pooled Investment Fund has been in **full compliance** with the Treasurer's Statement of Investment Policy, which is more restrictive than California Government Code 53646.

6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Jul-19	6,570,927,735.30	6,550,099,863.71	20,827,871.59	0.32%	2.29	1.13
Jun-19	6,838,812,308.82	6,811,213,591.28	27,598,717.54	0.41%	2.32	1.06
May-19	7,583,793,753.68	7,563,023,912.99	20,769,840.69	0.27%	2.35	1.09
Apr-19	8,177,376,431.91	8,168,198,799.92	9,177,631.99	0.11%	2.36	1.09
Mar-19	7,525,389,587.99	7,522,791,418.69	2,598,169.30	0.35%	2.35	1.04
Feb-19	6,837,521,658.62	6,846,174,413.16	(8,652,754.54)	-0.13%	2.32	1.06

*Market values do not include accrued interest.

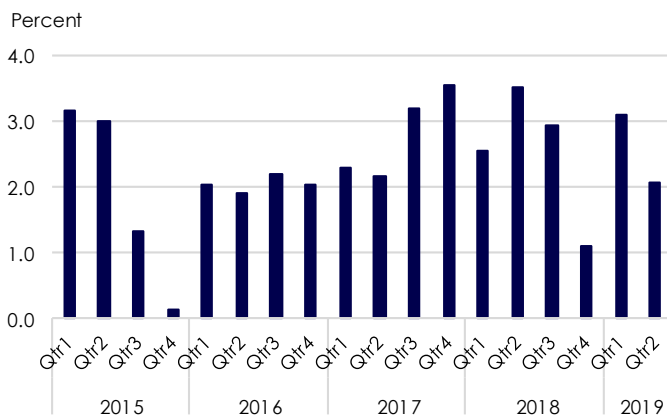
Economy

National Economy

U.S. real GDP beat expectations in 2Q19, driven by consumer and government spending. [[Econoday](#); 07/29/2019]

- Nonfarm payrolls rebounded to 224K in June, following a weaker-than-expected 75K in May. [[BLS](#); 07/29/2019]
- In midst of trade war and global economic slowdown, U.S. exports fell 1.5% in 2Q19, the most since 4Q15. [[FRED](#); 07/29/19]
- Industrial Production Index continues its run downward while Manufacturing PMI neared a ten-year low in June, reflecting a sustained slowdown in manufacturing. [[Econoday](#); 07/29/19]

U.S. Real GDP SAAR

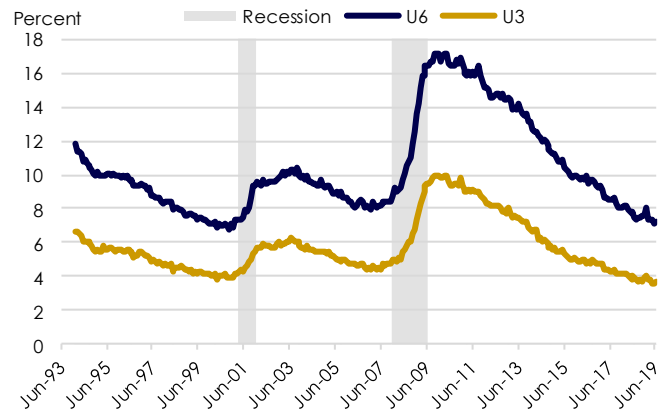


State Economy

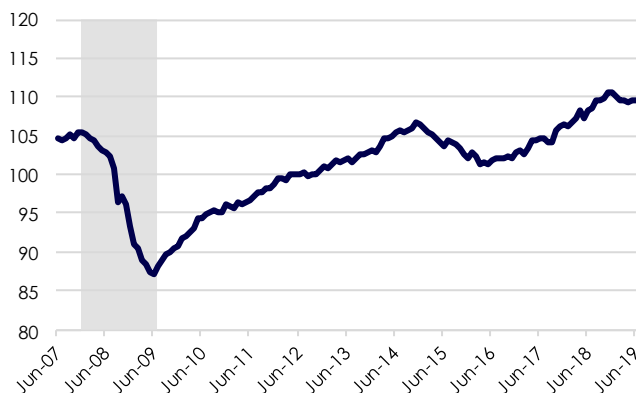
CA nonfarm payrolls grew 1.7% in June, sequentially accelerating from February's growth of 1.3%. [[BLS](#); 07/30/2019]

- CA added 46.2K jobs with the construction and information sectors contributing the most. [[BLS](#); 07/30/2019]
- In Southern California, home sales fell 8.8% while median home price growth slowed to 1.2%. [[LA Times](#); 07/30/2019]
- For Riverside County, home sales fell 4% and the median home price grew 5.3%, up to \$399K. [[LA Times](#); 07/30/2019]

U.S. Unemployment Rates

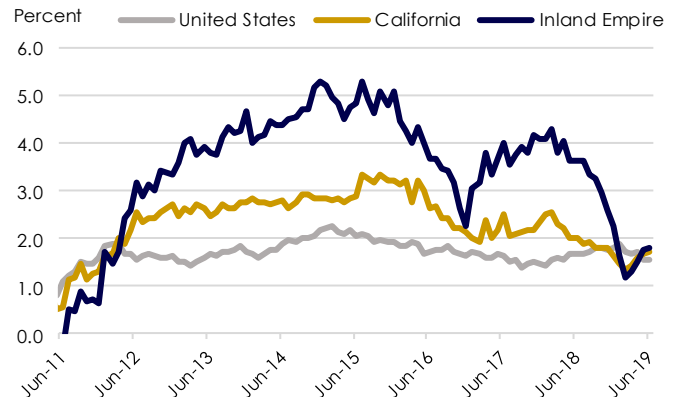


U.S. Industrial Production Index



*Note: Shaded area indicates U.S. recession.

Nonfarm Jobs Added - Y/Y



Key Economic Indicators

Release Date	Indicator	Actual	Consensus	Prior Year
07/26/2019	Real GDP - Q/Q Change - SAAR - 2Q19 (1st estimate)	2.1%	1.9%	3.5%
07/05/2019	Unemployment Rate - Seasonally Adjusted	3.7%	3.6%	3.9%
07/05/2019	Non-Farm Payrolls - M/M Change	224,000	165,000	262,000
07/11/2019	CPI - Y/Y Change	1.6%	1.6%	2.8%
07/11/2019	CPI Ex Food and Energy - Y/Y Change	2.1%	2.0%	2.2%
07/03/2019	ISM Non-Manufacturing Index (> 50 indicates growth)	55.1	55.8	59.1
07/24/2019	New Home Sales - SAAR - Thousands of units	646	660	618
07/03/2019	Factory Orders - M/M Change	-0.7%	-0.5%	0.4%
07/25/2019	Durable Goods Orders - New Orders - M/M Change	2.0%	0.5%	-0.9%

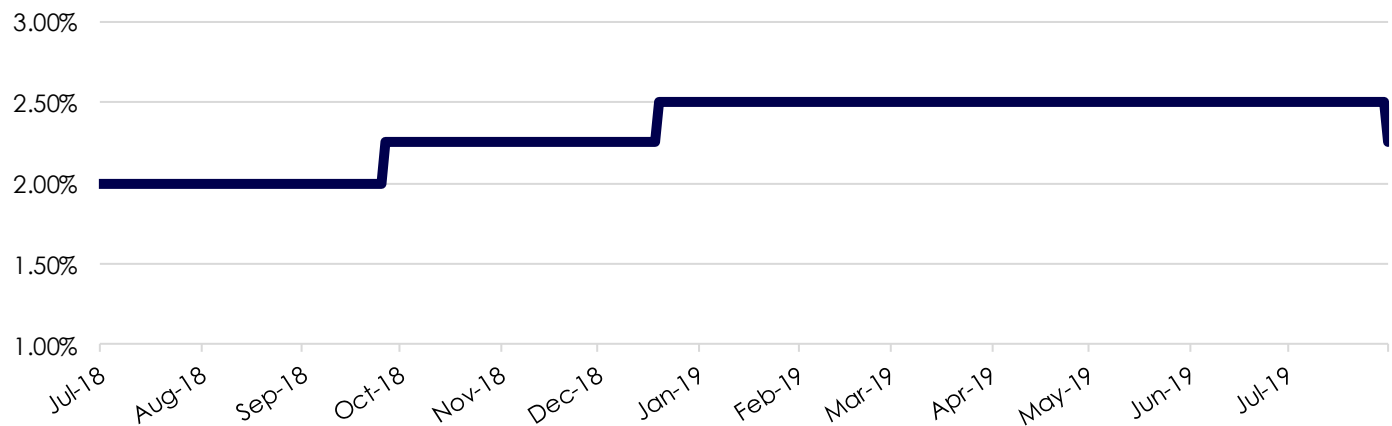
*Note: 'Prior Year' displays final estimates of indicator values from the equivalent period of the prior year.

Market Data

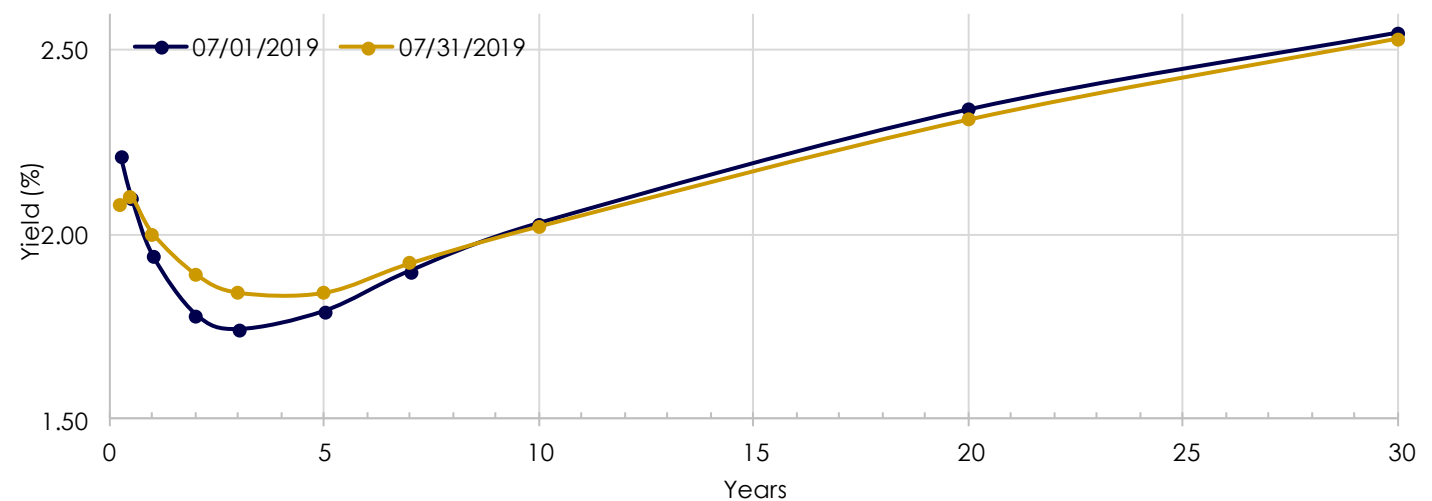
FOMC Meeting 07/31/2019

- The FOMC stated that data received since their last meeting in June “indicates that the labor market remains strong and that economic activity rose at a moderate rate.”
- The Federal Open Market Committee lowered the Fed Funds Target Rate to 2.00—2.25% from 2.25—2.50%.
- The FOMC stated in their July 31 press release that “sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee’s symmetric 2 percent objective as the most likely outcomes, but uncertainties about this outlook remain.”

Fed Funds Target Rate (Upper Limit)



U.S. Treasury Curve

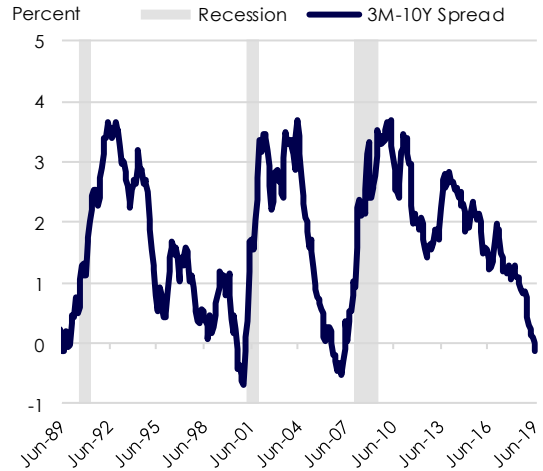
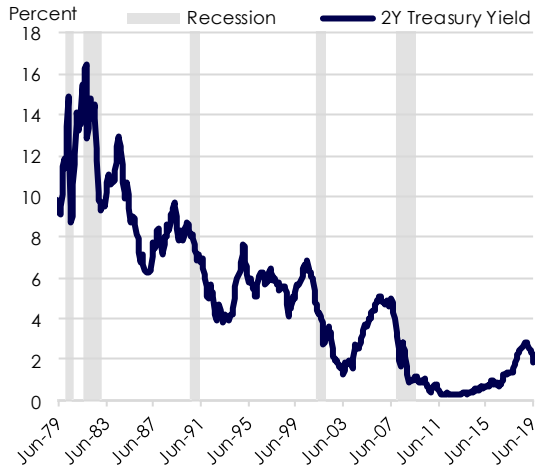


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
07/31/2019 - 07/01/2019	-0.13	0.00	0.06	0.11	0.10	0.05	-0.01	-0.02
07/31/2019	2.08	2.10	2.00	1.89	1.84	1.84	2.02	2.53
07/01/2019	2.21	2.10	1.94	1.78	1.74	1.79	2.03	2.55

The US Treasury Curve and its forecasted values are subject to frequent change and will be updated monthly with each issued TPIF report.

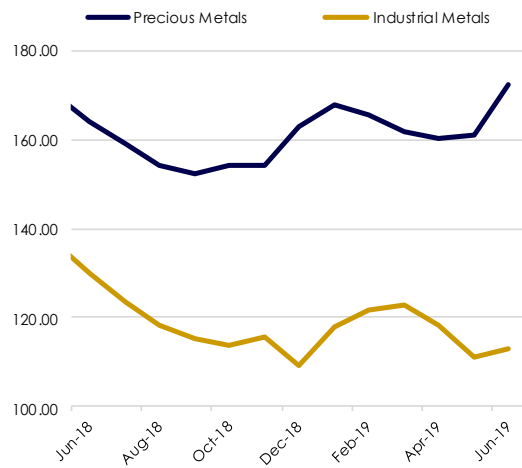
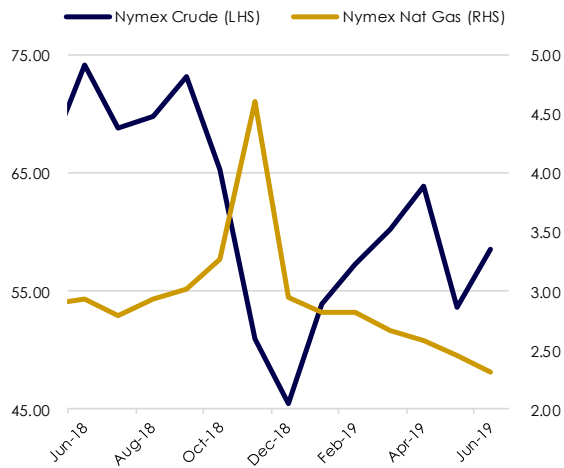
Market Data cont'd

U.S. Treasuries

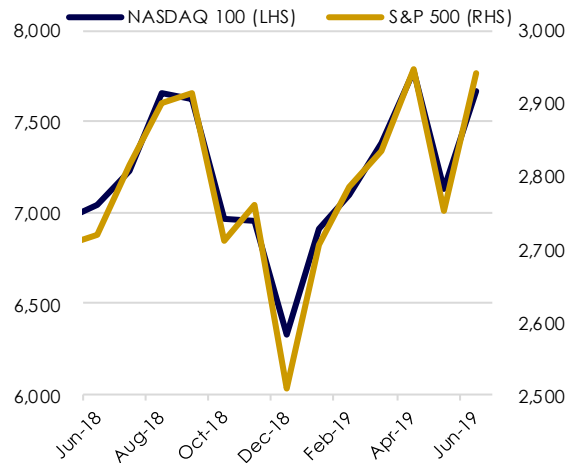
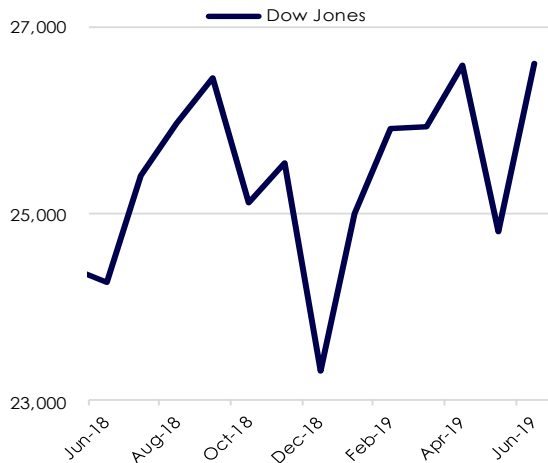


*Note: Shaded areas indicate U.S. recessions.

Commodities



Stocks



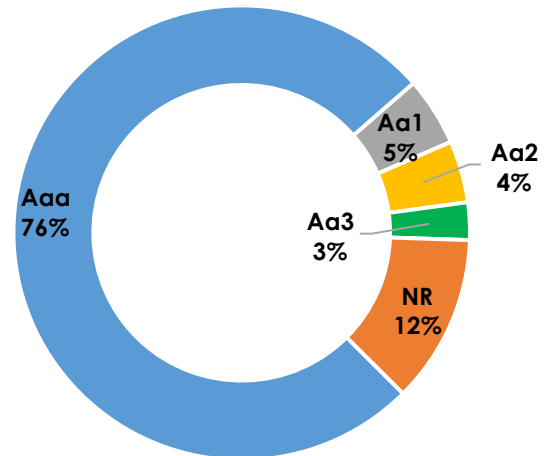
* Values listed for commodities and stocks are in US dollars and are as of the final business day of each month.

Portfolio Data

The County of Riverside's Treasurer's Pooled Investment Fund is currently rated **AAA-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**.

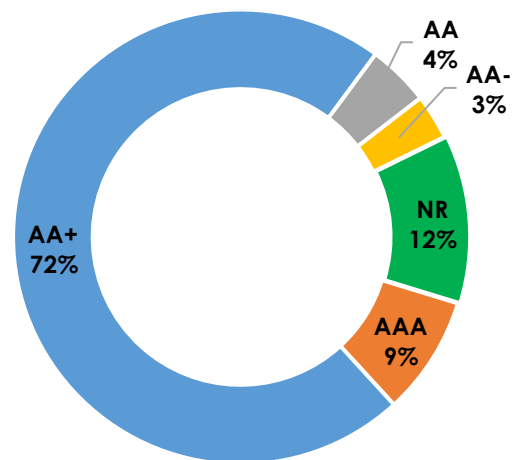
Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
Aaa	4,982,707.23	100.34%	76.07%	2.23%
Aa1	319,610.28	100.60%	4.88%	2.53%
Aa2	288,238.60	100.56%	4.40%	2.45%
Aa3	174,459.25	100.01%	2.66%	2.58%
NR	785,084.50	100.06%	11.99%	2.43%
Totals:	6,550,099.86	100.32%	100.00%	2.29%



S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
AAA	555,530.16	100.52%	8.48%	2.36%
AA+	4,711,787.36	100.33%	71.93%	2.23%
AA	288,238.60	100.56%	4.40%	2.45%
AA-	209,459.25	100.01%	3.20%	2.65%
NR	785,084.50	100.06%	11.99%	2.43%
Totals:	6,550,099.86	100.32%	100.00%	2.29%



12-Month Projected Cash Flow

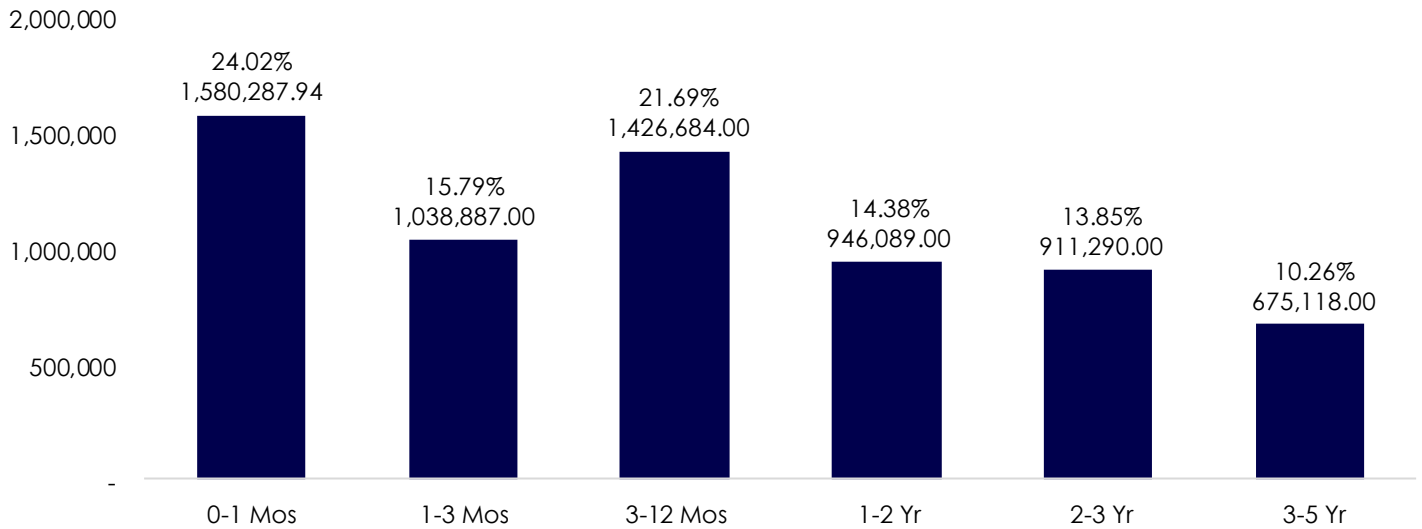
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
08/2019					125.19		
08/2019	900.00	1,200.00	(300.00)	174.81	-	1,655.29	
09/2019	1,100.00	1,200.00	(100.00)	100.00	-	559.61	
10/2019	1,100.00	1,300.00	(200.00)	200.00	-	504.28	
11/2019	1,300.00	1,200.00	100.00		100.00	380.00	
12/2019	2,375.13	1,200.00	1,175.13		1,275.13	5.00	
01/2020	1,100.00	2,200.00	(1,100.00)		175.13	237.50	
02/2020	1,100.00	1,500.00	(400.00)	224.87	-	115.33	
03/2020	1,350.00	1,200.00	150.00		150.00	123.29	
04/2020	1,350.00	1,200.00	150.00		300.00	170.65	
05/2020	1,700.00	1,700.00	-		300.00	117.66	
06/2020	1,000.00	1,736.13	(736.13)	436.13	-	80.43	
07/2020	1,177.22	1,435.00	(257.78)	257.78	-	106.83	
TOTALS	15,552.35	17,071.13	(1,518.78)	1,393.59	2,425.45	4,055.86	5,156.51
				21.28%		61.92%	78.72%

* Values listed in Cash Flow Table are in millions of USD.

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of funds to cover County expenses for the next twelve months.

Portfolio Data cont'd

Asset Maturity Distribution (Par Value, 000's)

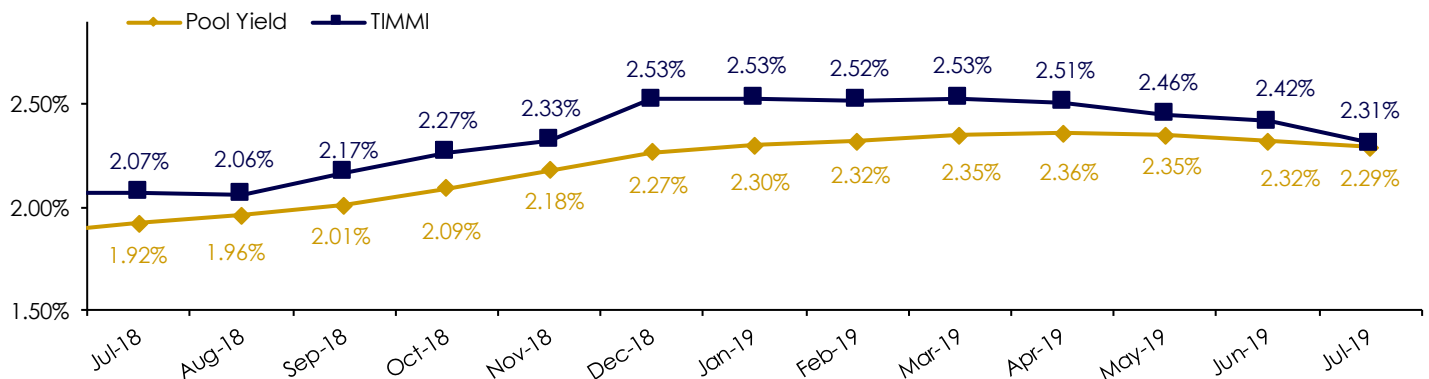


Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	509,472.15	513,410.15	100.77%	2.53%	0.28	0.28
AGENCIES	3,738,635.46	3,747,680.43	100.24%	2.17%	1.20	1.80
MMKT	326,000.00	326,000.00	100.00%	2.28%	0.00	0.00
CASH	615,000.00	615,000.00	100.00%	2.45%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	2.59%	0.00	0.00
COMM PAPER	824,288.66	828,517.17	100.51%	2.39%	0.14	0.14
NCDS	35,000.00	35,000.00	100.00%	3.00%	0.04	0.04
MEDIUM TERM NOTES	288,841.41	292,457.81	101.25%	2.60%	0.49	0.51
MUNI	208,758.20	208,758.20	100.00%	2.52%	1.32	1.32
LOCAL AGCY OBLIG	80.00	80.00	100.00%	2.85%	0.88	0.88
Totals:	6,550,099.86	6,570,927.74	100.32%	2.29%	0.79	1.13

* For details on the Pool's composition see Month End Portfolio Holdings, pages 9 to 13.

TIMMI



The Treasurer's Institutional Money Market Index (TIMMI) is a composite index of four AAA rated prime institutional money market funds. Their average yield is compared to the yield of the Treasurer's Pooled Investment Fund in the above graph.

Compliance Report

Compliance Status: Full Compliance

The Treasurer's Pooled Investment Fund was in full compliance with the County of Riverside's Treasurer's Statement of Investment Policy. The County's Statement of Investment Policy is more restrictive than California Government Code 53646. The County's Investment Policy is reviewed annually by the County of Riverside's Oversight Committee and approved by the Board of Supervisors.

Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Remaining Maturity	Authorized % Limit	S&P/ Moody's	Maximum Remaining Maturity	Authorized % Limit	S&P/ Moody's	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	3.19%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	7.78%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	57.08%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	12.58%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	0.53%
INT'L BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INT'L FINANCE CORPORATION	NA	NA	NA	4 YEARS	20%	AA/Aa/AA	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	4.41%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	0.06%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	4.98%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	<0.01%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	9.39%

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

THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
037833CB4	APPLE	08/02/2019	1.100	2.570	12,500,000.00	12,339,000.00	100.000000	12,500,000.00	161,000.00	.005	.005
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.568	4,982,000.00	4,916,735.80	99.976000	4,980,804.32	64,068.52	.022	.022
931142DY6	WALMART	10/09/2019	1.750	2.824	25,000,000.00	24,752,750.00	99.884000	24,971,000.00	218,250.00	.189	.192
931142DY6	WALMART	10/09/2019	1.750	2.838	22,029,000.00	21,812,234.64	99.884000	22,003,446.36	191,211.72	.189	.192
037833CZ1	APPLE	09/12/2019	1.500	2.823	12,803,000.00	12,662,038.97	99.914000	12,791,989.42	129,950.45	.116	.118
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	3.149	10,295,000.00	9,955,059.10	99.368000	10,229,935.60	274,876.50	1.534	1.586
594918BG8	MICROSOFT CORP	11/03/2020	2.000	2.912	10,100,000.00	9,929,411.00	99.943000	10,094,243.00	164,832.00	1.223	1.263
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.512	20,000,000.00	19,909,400.00	99.976000	19,995,200.00	85,800.00	.022	.022
			1.576	2.598	292,931,000.00	288,841,412.34	99.838462	292,457,805.11	3,616,392.77	.494	.510
4500: NCD-Mat A/360											
89114MMK0	TORONTO DOMINION	08/16/2019	3.000	3.000	35,000,000.00	35,000,000.00	100.000000	35,000,000.00	0.00	.043	.044
			3.000	3.000	35,000,000.00	35,000,000.00	100.000000	35,000,000.00	0.00	.043	.044
	Total Fund		2.107	2.291	6,578,355,944.14	6,550,099,863.71	99.887081	6,570,927,735.30	20,827,871.59	1.088	1.134
Grand Total			2.107	2.291	6,578,355,944.14	6,550,099,863.71	99.887081	6,570,927,735.30	20,827,871.59	1.088	1.134



The Mission Inn, Downtown Riverside. Digital Image. *The Mission Inn*. <http://www.missioninn.com/about-en.html>.



COUNTY OF RIVERSIDE
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