

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



ITEM: 2.13  
(ID # 11148)

MEETING DATE:  
Tuesday, October 29, 2019

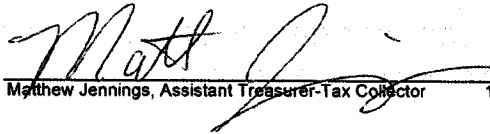
FROM : TREASURER-TAX COLLECTOR:

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

RECOMMENDED MOTION: That the Board of Supervisors:

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

ACTION: Consent


  
Matthew Jennings, Assistant Treasurer-Tax Collector 10/17/2019

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MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington and Perez  
Nays: None  
Absent: Hewitt  
Date: October 29, 2019  
xc: Treasurer

Kecia R. Harper  
Clerk of the Board  
By:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment:</b> N/A	
			<b>For Fiscal Year:</b> 2019-2020	

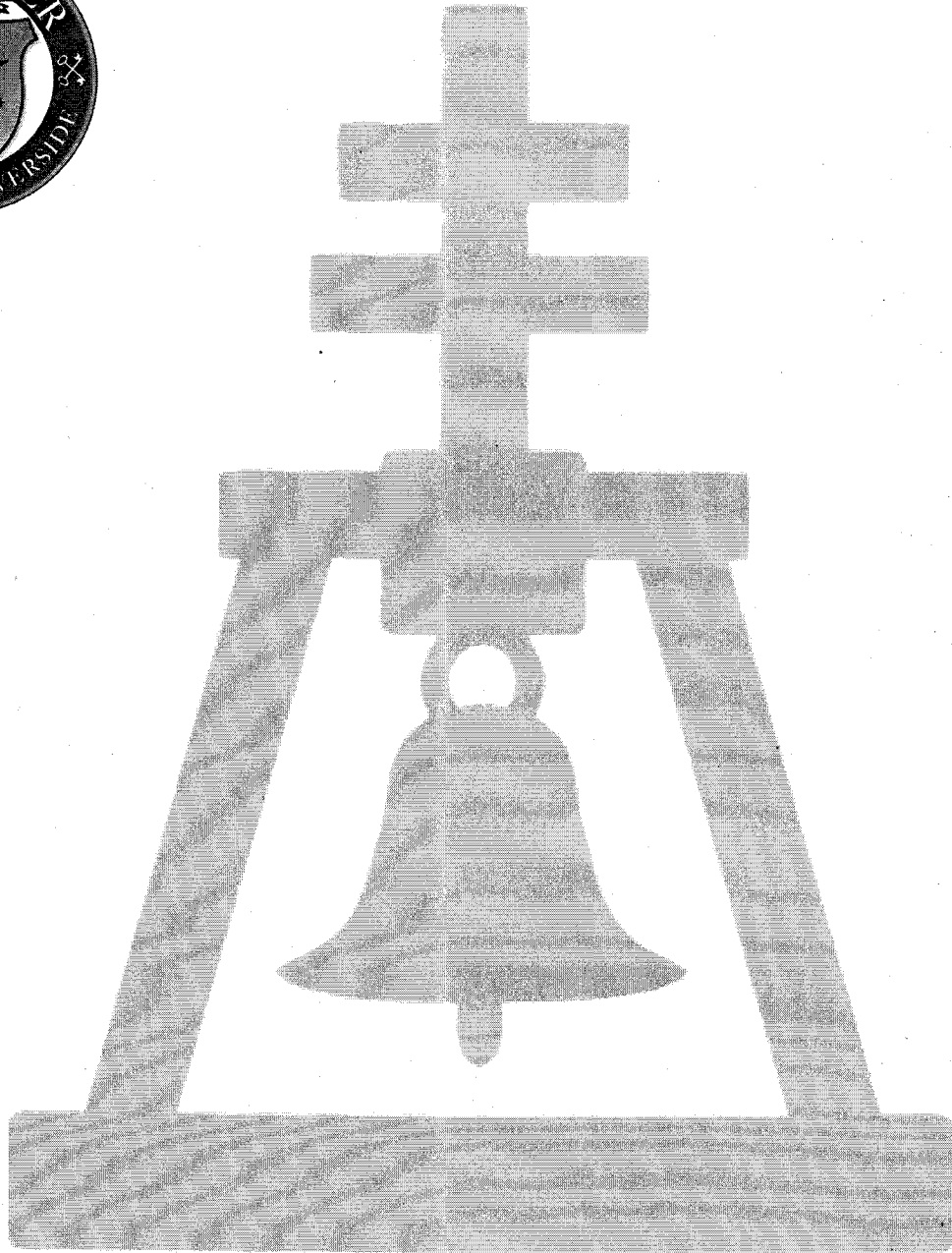
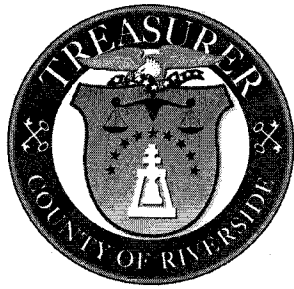
**C.E.O. RECOMMENDATION:** Approve

**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 10/22/2019



# County of Riverside

Treasurer's Pooled Investment Fund

September 2019

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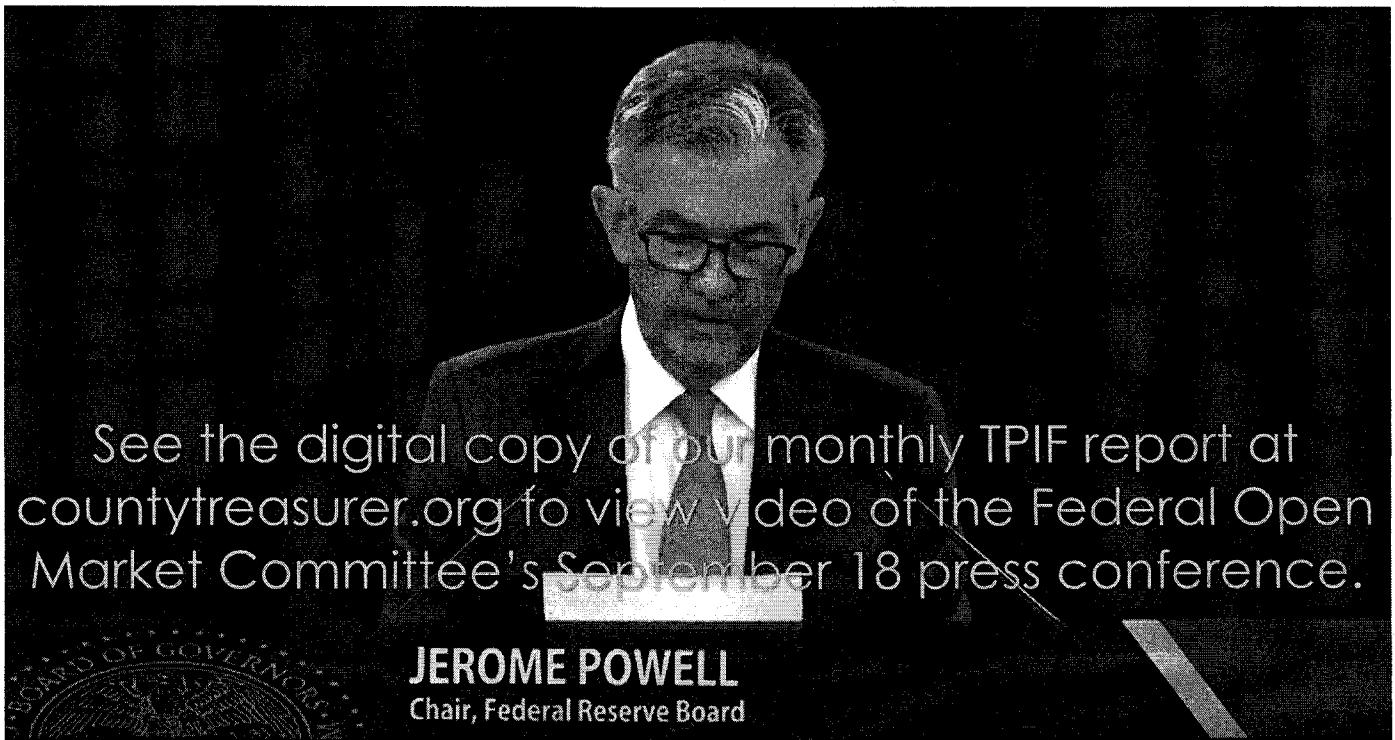
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Federal Reserve Chair Jerome Powell during the September 18 FOMC press conference. Digital Image, Federal Reserve Board. <https://www.youtube.com/user/FedReserveBoard>

# Treasurer's Pooled Investment Fund

## Monthly Commentary

### An Abundance of Uncertainty

News of the Federal Reserve (FED) rate cut in September was pushed to the back pages as geopolitical events and domestic politics dominated headlines. The 2-year Treasury was 1.63% at month end, the lowest since October 2017. Back then, three straight quarters of above 3% real GDP growth and tax reform fostered expectations for higher rates. Growth of real GDP fell to 2% in 2Q19. Now, investors expect slower economic growth to lead to more rate cuts.

The FED cut rates in September, while in the Middle East a drone attack on Saudi Arabia caused one of the world's largest oil processing facilities to shut down. According to Saudi Aramco, the closure impacted about 5% of the world's daily oil production, but is estimated to be fully restored by the end of September.

Europe continues to lead to a messy divorce as the U.K.'s Brexit deadline approaches on October 31, and riots in Hong Kong continue to disrupt the trading hub, crimping long-term investment decisions.

On the U.S.-China trade front, additional tariffs took effect in September, and more are expected on December 15. Talks, however, are scheduled to resume on October 10. September was capped off with a political firestorm over the Ukrainian 'presidential phone call' scandal.

Empowered by a tight labor market and low inflation, consumers were able to shake off tariff-related concerns to keep consumer spending in expansionary territory in August. The rate of nonfarm payrolls continued to slow down in August from 2018 levels, adding 130k jobs. However, initial jobless claims and the unemployment rate suggest that the labor market remains at its tightest in half a century.

Industrial data for August was mixed. On one hand, the FED's industrial production index beat consensus expectations for production, manufacturing, and capacity utilization. On the other, the PMI manufacturing index showed flat growth, highlighted by a 10-year low in export orders, while the ISM manufacturing index showed the sector contracted in August.

Data published in September suggest that the national housing market remains firm. The number of new home sales in August brought the three-month average up to 703k, the highest since October 2007. Existing home sales grew at an annual pace of 5.490 million, the best showing of 2019. Nationwide, home price growth continued to trend down towards 2.0% Y/Y in July. In Riverside County, data from CoreLogic shows house prices grew 3.9% Y/Y in August, up from 3.4% Y/Y in July.

In the Eurozone, manufacturing activity could be a canary in the coalmine for an impending recession. Eurozone manufacturing PMI data fell from 47.0 in July to 45.6 in August, the steepest contraction since October 2012.

Confronted with low inflation and softness in job growth, exports, fixed income investment, manufacturing activity, and global economic growth, Federal Reserve (FED) officials elected to cut rates to 1.75-2.00% on September 18. FED officials are likely to cut rates by another 25bps before the end of the year to help stave off a recession.

The Treasury bond market saw yields rise slightly in September, as investors eased off a bit on further rate cut expectations. The 2-year treasury began the month with a yield of 1.47% and ended at 1.63%. The 5-year treasury began the month with a yield of 1.35% and ended at 1.55%. The FED cut short-term interest rates by 25 bps. The inversion of the Treasury yield curve continued, with the 3-month Treasury bill (1.88%) out-yielding the 10-year Treasury note (1.68%) by 20 basis points.

Jon Christensen

Treasurer-Tax Collector

## 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.

## Capital Markets Team

Jon Christensen  
Treasurer-Tax Collector

Giovane Pizano  
Chief Investment Manager

Steve Faeth  
Senior Investment Manager

Isla Licea  
Assistant Investment Manager

Jake Nieto  
Administrative Services Analyst

## 6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Sep-19	6,351,986,977.01	6,333,085,946.48	18,901,030.53	0.30%	2.13	1.10
Aug-19	6,417,639,034.28	6,389,269,000.29	28,370,033.99	0.44%	2.23	1.13
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

\*Market values do not include accrued interest.

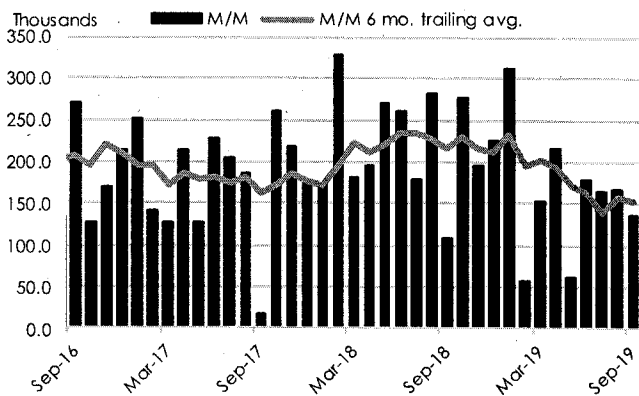
# Economy

## National Economy

The U.S. labor market remains tight as real average hourly earnings climb higher and unemployment insurance claims stay at the lowest in half a century. [FRED; 10/08/2019]

- Job growth has slowed down this year. Through the first eight months, nonfarm payroll growth fell from 234k per month in 2018 to 164k per month in 2019. [FRED; 10/08/2019]
- Despite vehicle sales trending above 17mn in August, growth in durable goods orders was flat Y/Y, indicating an overall slowdown in manufacturing. [FRED; 10/08/2019]

### U.S. Nonfarm Payrolls

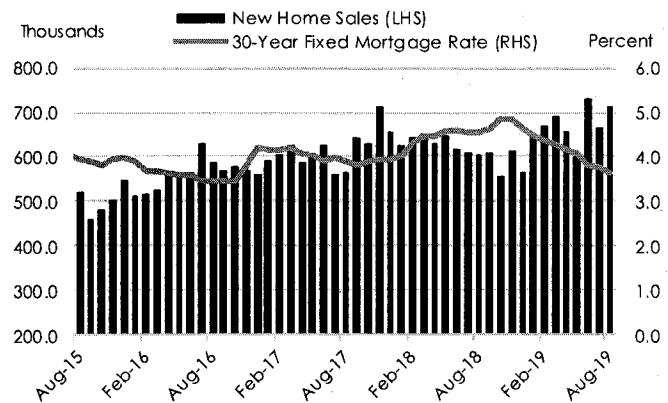


## State Economy

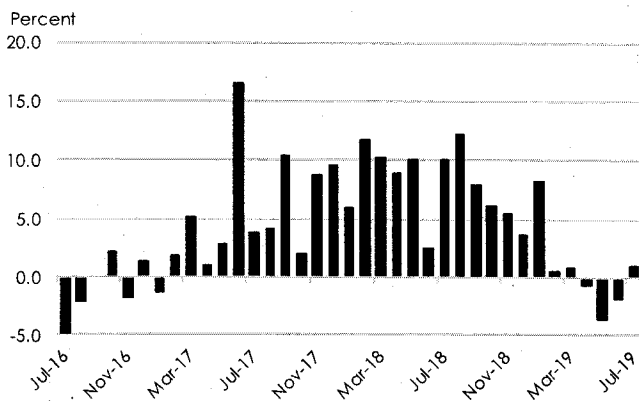
California's unemployment rate fell to 4.1% in August, the lowest since data was made available in 1976. [FRED; 10/08/2019]

- Job growth in CA and the Inland Empire grew around 2.0% Y/Y in August, mirroring national trends. [FRED; 10/08/2019]
- Despite lower mortgage rates, home sales in Southern California were the lowest since 2015 and home prices were unmoved Y/Y in August. [LA Times; 10/08/2019].
- CA has "fallen behind in home production relative to population growth and future needs." [UCLA Anderson; 10/09/2019]

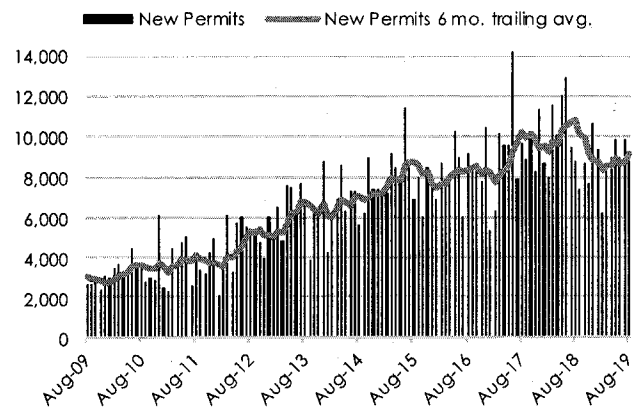
### U.S. New Home Sales SAAR



### U.S. Durable Goods Orders Y/Y



### CA Monthly New Residential Building Permits



## Key Economic Indicators

Release Date	Indicator	Actual	Consensus	Prior Year
09/26/2019	Real GDP - Q/Q Change - SAAR - 2Q19 (3rd estimate)	2.0%	2.0%	3.5%
09/06/2019	Unemployment Rate - Seasonally Adjusted	3.7%	3.7%	3.8%
09/06/2019	Non-Farm Payrolls - M/M Change - Thousands	130	163	282
09/12/2019	CPI - Y/Y Change	1.7%	1.7%	2.7%
09/12/2019	CPI Ex Food and Energy - Y/Y Change	2.4%	2.3%	2.2%
09/05/2019	ISM Non-Manufacturing Index (> 50 indicates growth)	56.4	54.0	58.8
09/25/2019	New Home Sales - SAAR - Thousands	713	662	604
09/05/2019	Factory Orders - M/M Change	1.4%	1.0%	-0.3%
09/27/2019	Durable Goods Orders - New Orders - M/M Change	0.2%	-1.2%	4.2%

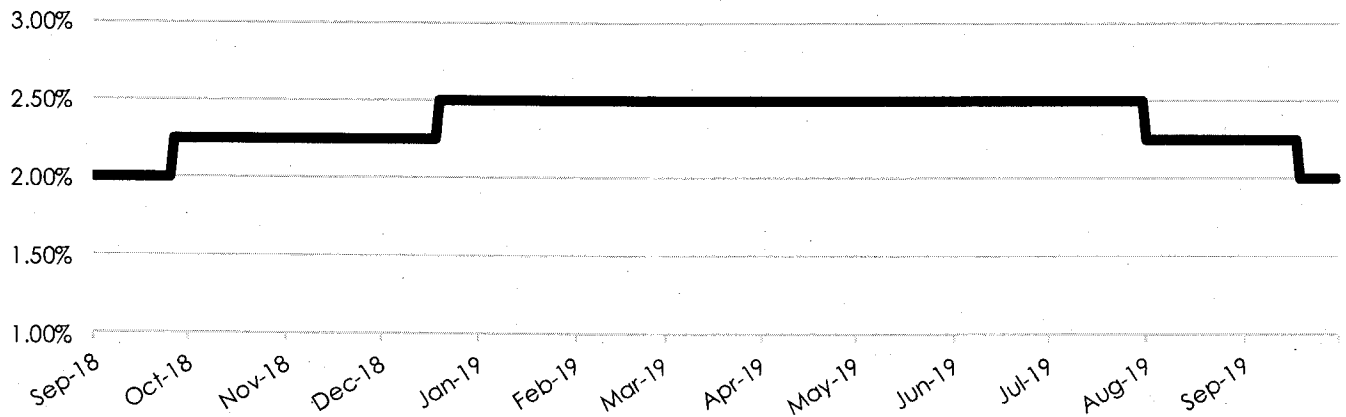
\*Note: 'Prior Year' displays final estimates of indicator values from the equivalent period of the prior year.

# Market Data

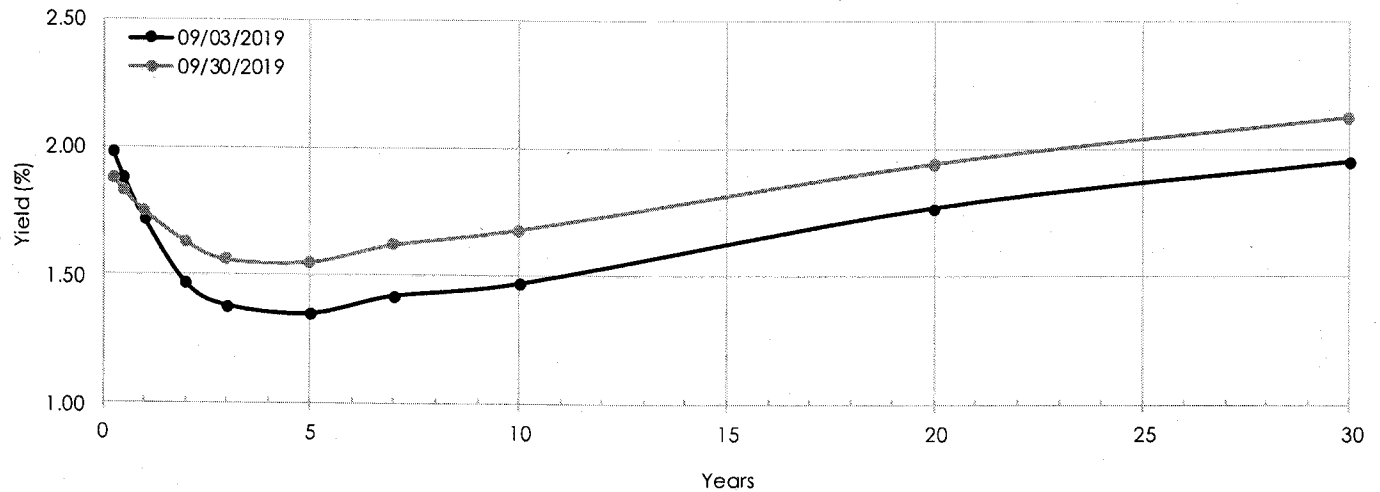
## FOMC Meeting 09/18/2019

- The FOMC stated that data received since their last meeting in July "indicates that the labor market remains strong and that economic activity has been rising at a moderate rate."
- The Federal Open Market Committee lowered the Fed Funds Target Rate to 1.75—2.00% from 2.00—2.25%.
- The FOMC stated in their September 18 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

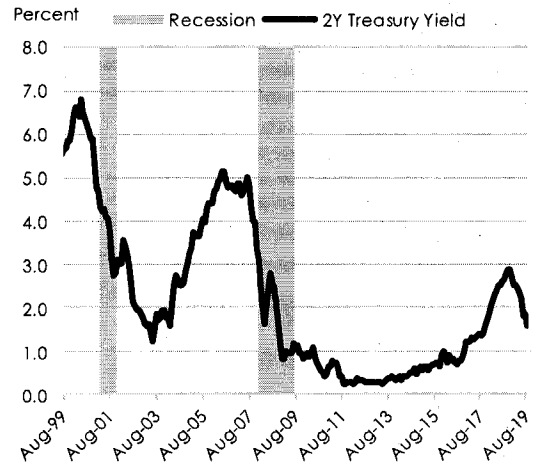
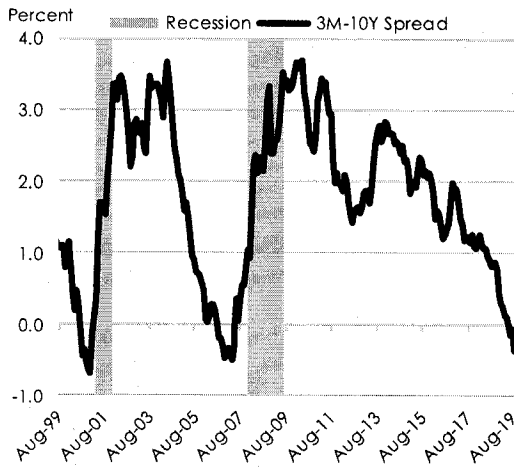


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
09/30/2019 - 09/03/2019	-0.10	-0.05	0.03	0.16	0.18	0.20	0.21	0.17
09/30/2019	1.88	1.83	1.75	1.63	1.56	1.55	1.68	2.12
09/03/2019	1.98	1.88	1.72	1.47	1.38	1.35	1.47	1.95

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

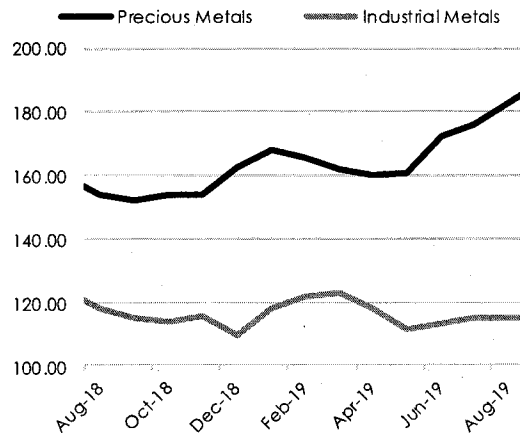
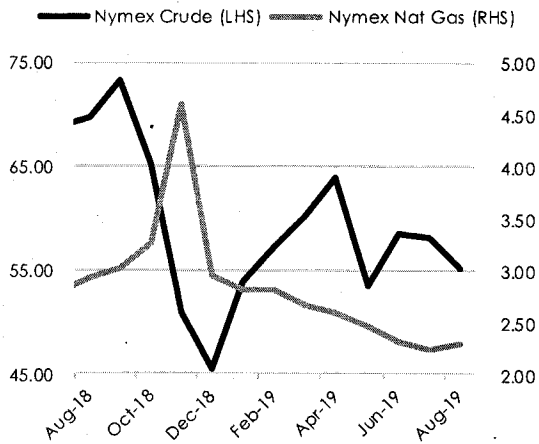
# Market Data cont'd

## U.S. Treasuries

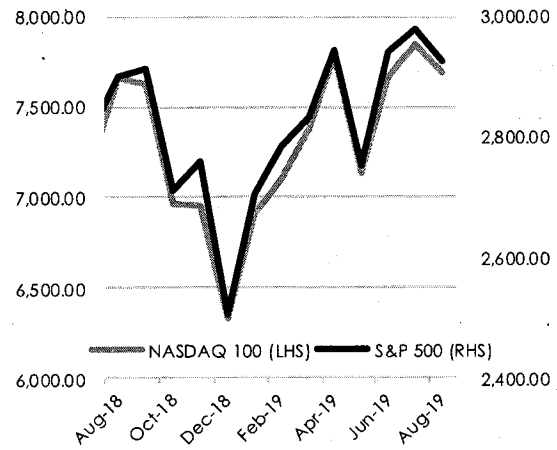
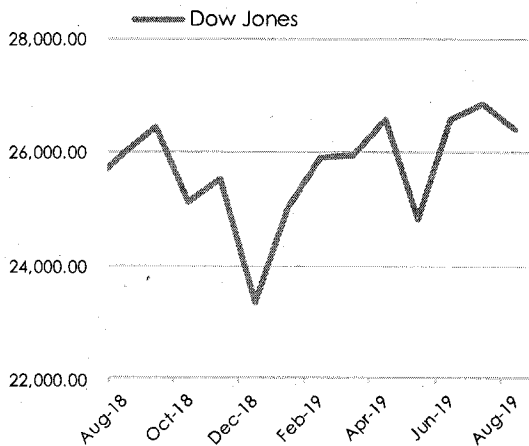


\*Note: Shaded areas indicate U.S. recessions.

## Commodities



## Stocks



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

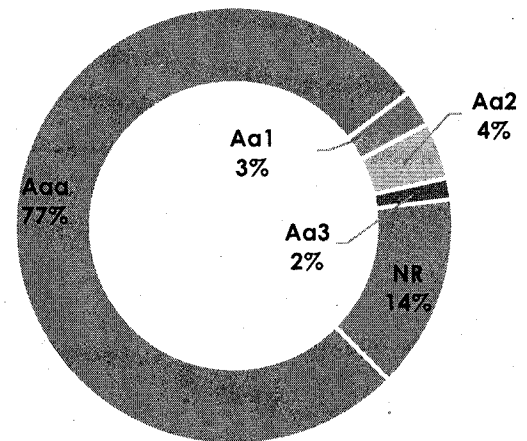


# Portfolio Data

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**.

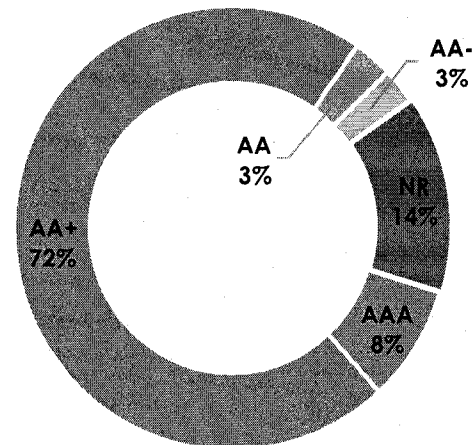
## Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>Aaa</b>	4,882,583.56	100.31%	77.06%	2.09%
<b>Aa1</b>	171,944.05	100.53%	2.72%	2.27%
<b>Aa2</b>	262,517.51	100.73%	4.15%	2.36%
<b>Aa3</b>	101,056.12	100.00%	1.60%	2.80%
<b>NR</b>	915,084.70	100.08%	14.47%	2.20%
<b>Totals:</b>	<b>6,333,185.95</b>	<b>100.30%</b>	<b>100.00%</b>	<b>2.13%</b>



## S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>AAA</b>	533,641.31	100.42%	8.43%	2.08%
<b>AA+</b>	4,535,693.68	100.31%	71.62%	2.10%
<b>AA</b>	184,788.40	100.99%	2.92%	2.53%
<b>AA-</b>	163,877.86	100.04%	2.59%	2.49%
<b>NR</b>	915,084.70	100.08%	14.45%	2.20%
<b>Totals:</b>	<b>6,333,085.95</b>	<b>100.30%</b>	<b>100.00%</b>	<b>2.13%</b>



## 12-Month Projected Cash Flow

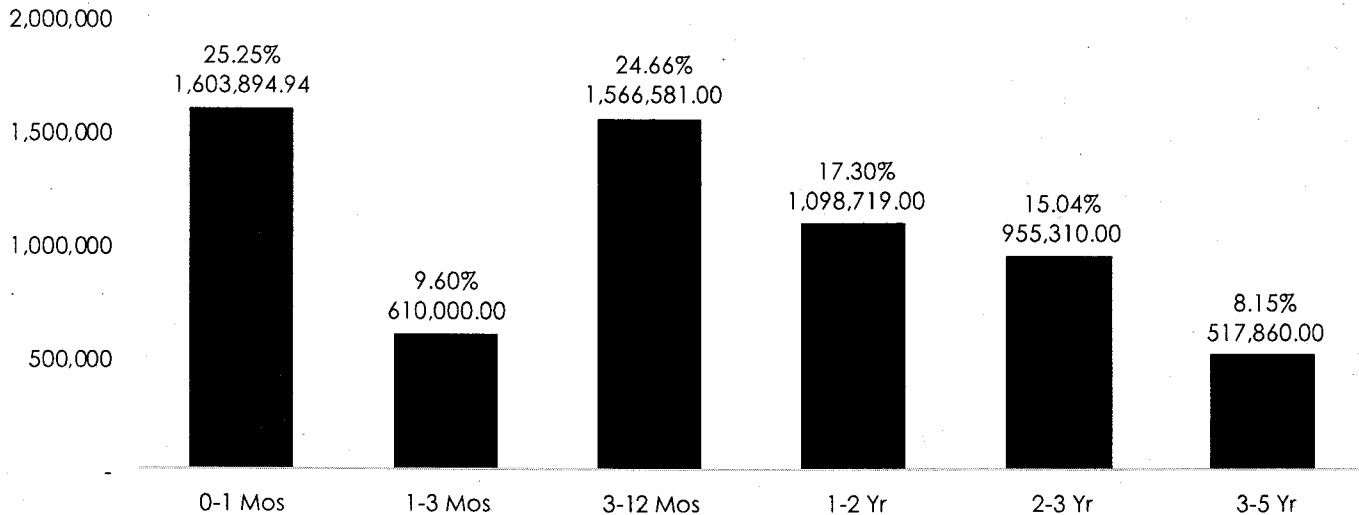
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
10/2019					70.99		
10/2019	1,100.00	1,300.00	(200.00)	129.01	-	1,703.89	
11/2019	1,300.00	1,200.00	100.00		100.00	490.00	
12/2019	2,375.13	1,200.00	1,175.13		1,275.13	20.00	
01/2020	1,100.00	2,200.00	(1,100.00)		175.13	640.75	
02/2020	1,100.00	1,500.00	(400.00)	224.87	-	140.33	
03/2020	1,350.00	1,200.00	150.00		150.00	108.29	
04/2020	1,350.00	1,200.00	150.00		300.00	170.65	
05/2020	1,700.00	1,700.00	-		300.00	87.66	
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	
08/2020	1,000.00	1,300.00	(300.00)	300.00	-	106.65	
09/2020	1,030.00	1,300.00	(270.00)	270.00	-	140.00	
<b>TOTALS</b>	<b>15,582.35</b>	<b>17,271.13</b>	<b>(1,688.78)</b>	<b>1,617.79</b>	<b>2,371.25</b>	<b>3,795.48</b>	<b>4,715.30</b>
				<b>25.55%</b>		<b>59.93%</b>	<b>74.45%</b>

\* 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)

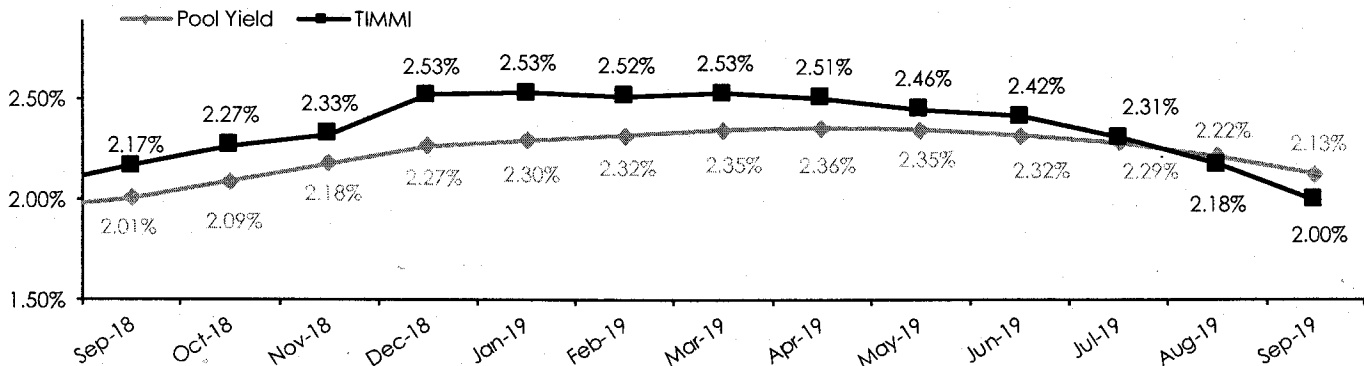


## Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	450,553.39	454,185.05	100.81%	2.41%	0.34	0.34
AGENCIES	3,713,946.71	3,723,203.97	100.25%	2.06%	1.08	1.71
MMKT	383,000.00	383,000.00	100.00%	1.92%	0.00	0.00
CASH	760,000.00	760,000.00	100.00%	2.17%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	2.27%	0.00	0.00
COMM PAPER	670,020.85	673,322.34	100.49%	2.14%	0.18	0.18
NCDS	-	-	0.00%	0.00%	-	-
MEDIUM TERM NOTES	184,951.53	187,662.14	101.47%	2.65%	0.58	0.61
MUNI	166,509.50	166,509.50	100.00%	2.58%	1.47	1.47
LOCAL AGCY OBLIG	80.00	80.00	100.00%	2.73%	0.71	0.71
<b>Totals:</b>	<b>6,333,085.95</b>	<b>6,351,986.98</b>	<b>100.30%</b>	<b>2.13%</b>	<b>0.73</b>	<b>1.10</b>

\* 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	
<b>MUNICIPAL BONDS (MUNI)</b>	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	<b>2.63%</b>
<b>U.S. TREASURIES</b>	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	<b>7.11%</b>
<b>LOCAL AGENCY OBLIGATIONS (LAO)</b>	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<b>&lt;0.01%</b>
<b>FEDERAL AGENCIES</b>	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	<b>58.64%</b>
<b>COMMERCIAL PAPER (CP)</b>	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	<b>10.58%</b>
<b>CERTIFICATE &amp; TIME DEPOSITS (NCD &amp; TCD)</b>	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	<b>0.00%</b>
<b>INT'L BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INT'L FINANCE CORPORATION</b>	NA	NA	NA	4 YEARS	20%	AA/Aa/AA	<b>0.00%</b>
<b>REPURCHASE AGREEMENTS (REPO)</b>	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	<b>0.00%</b>
<b>REVERSE REPOS</b>	92 DAYS	20%	NA	60 DAYS	10%	NA	<b>0.00%</b>
<b>MEDIUM TERM NOTES (MTNO)</b>	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	<b>2.92%</b>
<b>CALTRUST SHORT TERM FUND</b>	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	<b>0.06%</b>
<b>MONEY MARKET MUTUAL FUNDS (MMF)</b>	60 DAYS <sup>(1)</sup>	20%	AAA/Aaa <sup>(2)</sup>	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	<b>6.05%</b>
<b>LOCAL AGENCY INVESTMENT FUND (LAIF)</b>	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	<b>0.00%</b>
<b>CASH/DEPOSIT ACCOUNT</b>	NA	NA	NA	NA	NA	NA	<b>12.00%</b>

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

<sup>2</sup> Or must have an investment advisor with no fewer than 5 years experience and with assets under management of \$500,000,000 USD.

**THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.**





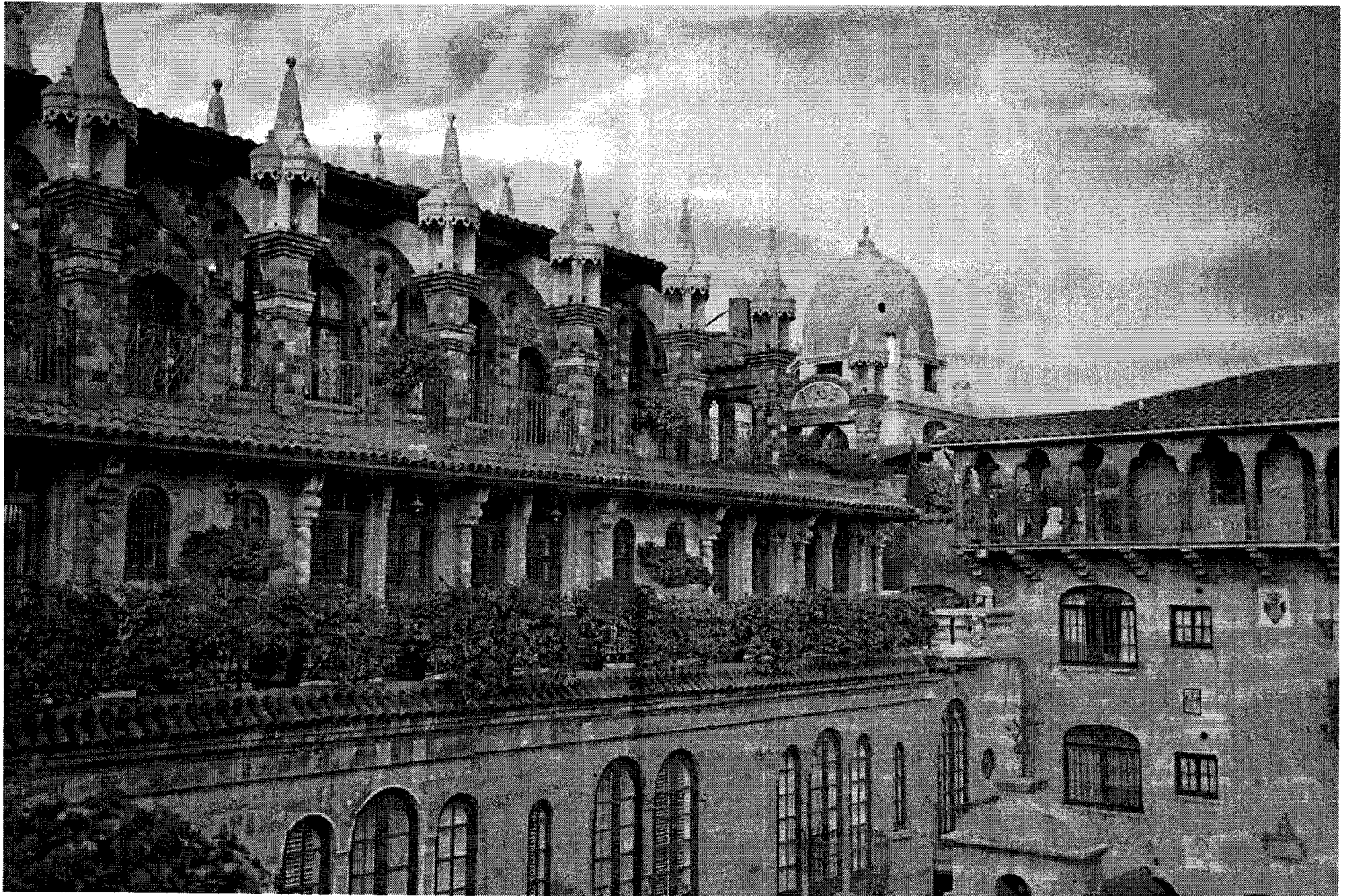




Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	2.625	12,969,000.00	12,617,410.41	99.797000	12,942,672.93	325,262.52	1.389	1.119
594918AY0	MICROSOFT CORP	02/12/2020	1.850	2.691	16,880,000.00	16,654,820.80	99.916000	16,865,820.80	211,000.00	.365	.370
931142DY6	WALMART	10/09/2019	1.750	2.824	25,000,000.00	24,752,750.00	99.990000	24,997,500.00	244,750.00	.024	.025
931142DY6	WALMART	10/09/2019	1.750	2.838	22,029,000.00	21,812,234.64	99.990000	22,026,797.10	214,562.46	.024	.025
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	3.149	10,295,000.00	9,955,059.10	99.797000	10,274,101.15	319,042.05	1.385	1.119
594918BG8	MICROSOFT CORP	11/03/2020	2.000	2.912	10,100,000.00	9,929,411.00	100.166000	10,116,766.00	187,355.00	1.061	1.096
			<b>1.815</b>	<b>2.648</b>	<b>187,720,000.00</b>	<b>184,951,528.73</b>	<b>99.969179</b>	<b>187,442,143.42</b>	<b>2,710,614.69</b>	<b>.597</b>	<b>.611</b>
	<b>Total Fund</b>		<b>2.003</b>	<b>2.132</b>	<b>6,352,344,944.14</b>	<b>6,333,085,946.48</b>	<b>99.994050</b>	<b>6,351,986,977.01</b>	<b>18,901,030.53</b>	<b>1.062</b>	<b>1.03</b>





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



COUNTY OF RIVERSIDE  
TREASURER-TAX COLLECTOR  
CAPITAL MARKETS

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