

SAN MATEO COUNTY
TREASURY OVERSIGHT COMMITTEE

MINUTES

October 26, 2020

1. CALL TO ORDER

The meeting was called to order at 12:05 p.m. by Daneca Halvorson, Chair.

2. ROLL CALL

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)
Margie Gustafson (Administrator, County Office of Education)
Denise Porterfield (Deputy Superintendent Fiscal & Operational Services Division)
Helen Fiscaro (Town of Colma)
Connie Mobley-Ritter (Director, Treasury - San Mateo County Transit District)

MEMBERS ABSENT

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

STAFF IN ATTENDANCE

Tiffany Htwe (Financial Services Manager II)
Gina M. Luiz (Executive Assistant)

MEMBERS OF THE PUBLIC IN ATTENDANCE

Ken Schiebel (PFM)
Nancy Jones (PFM)
Richard Babbe (PFM)
Meredith LaBuda Sullivan (PFM)
Gray Lepley (PFM)

3. APPROVAL OF MINUTES – February 3, 2020

Helen Fiscaro made a motion to approve minutes from the February 3, 2020 meeting, seconded by Stephanie Osaze. Meeting minutes were approved unanimously.

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

Treasury Oversight Committee members were emailed the 2021 Investment Policy and Delegation of Authority prior to today's meeting. The primary changes to the 2021 Investment Policy include: changes to the statement on Corporate Securities, removal of Government Code Section § 27134, and the addition of a section detailing the withdrawal process for school funds. In addition, there is a reminder statement that as of 2018 new voluntary participants are no longer accepted in the investment pool.

The 2021 Investment Policy and Delegation of Authority will be submitted for approval at the San Mateo County Board of Supervisors meeting on January 5, 2021.

5. INVESTMENT REPORT – Tiffany Htwe, Investment & Finance Officer and Ken Schiebel, PFM

Ken Schiebel from PFM presented an economic and market update. Mr. Schiebel addressed the economic downturn due to COVID-19. He reported that a health care solution will help provide a resolution to the recession. At the beginning of the year yield spreads on corporate securities widened, however, over the last few quarters the yield curves began to narrow. The Federal Reserve expended \$3 trillion dollars purchasing treasuries, agency mortgage backs in the open market, and other programs to help support the market. This tactic has been successful and helped stabilize the market.

Mr. Schiebel noted retail sales initially took a dip at the beginning of the pandemic, although, retailers have bounced back. There are large sectors that continue to lag, for example, TSA checkpoint and OpenTable for restaurant reservations. The road to recovery was quick in the beginning and is now slowing down. The unemployment rate was almost 15% in April. There was a quick recovery, and the unemployment rate is now just under 8%. However, 8% is the top of the range compared to prior recessions. There are approximately 24 million people continuing to collect unemployment benefits.

PFM is assisting San Mateo County with investing in long-term funds. The strategy is to carve out longer-term core balances for higher yields and earning potential. Internally, the San Mateo County Investment Department manages the short-term portfolio. Earlier this year, PFM managed a commercial paper portfolio on a short-term basis. The portfolio is broadly diversified and high quality. The average credit quality is AA, and there is an average duration of just under two years.

Meredith LaBuda Sullivan of PFM reviewed the trade activity in the core portfolio. She reported that a large amount of purchases were made in federal agency securities such as Fannie May and Freddie Mac. Federal agency securities increase their issuance of benchmark securities during the second and third quarters. This was in response to the CARES Act and their responsibility to cover principal and interest payments on mortgage loans that entered forbearance. Additional yield was created in federal agency securities to widen the curve and they offered good value. PFM saw this as an attractive investment for San Mateo County.

Short-term maturity credit instruments were reduced in the core portfolio. This approach is in line with PFM's strategy to extend the portfolio's overall duration and to lock in value of longer maturity securities. In closing, the key elements of PFM's strategy are duration, sector allocation, and relative value.

Tiffany Htwe, Investment & Finance Officer, is handling the short-term portfolio and the San Mateo County Treasurer-Tax Collector budget. For FY 2020-21 the admin fee was 6.28 basis points. The true-up value is reflected in the quarterly and annual earnings statements. During FY 2020-21, the first quarter ended with a high cash flow level. Ms. Htwe also reported that repo is no longer reflected in the portfolio and we are focused on investing in other agencies.

6. ORAL COMMUNICATION AND PUBLIC COMMENT

None

7. OTHER BUSINESS

None

8. 2021 MEETING DATES

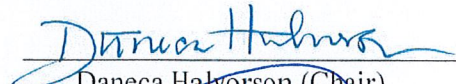
Monday, February 1

Monday, May 24

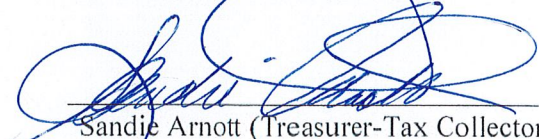
Monday, October 25

9. ADJOURNMENT

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



Daneca Halvorson (Chair)



Sandie Arnott (Treasurer-Tax Collector)