

BOARD MEETING DATE: March 4, 2022

AGENDA NO. 22

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee held a meeting remotely on Friday, February 18, 2022. The following is a summary of the meeting.

RECOMMENDED ACTION:
Receive and file.

Michael A. Cacciotti, Chair
Investment Oversight Committee

SJ:gp

Committee Members

Present: Mayor Pro Tem Michael Cacciotti, Chair
Richard Dixon
Brent Mason
Patrick Pearce

Absent: Senator Vanessa Delgado (Ret.), Vice Chair
Board Member Veronica Padilla-Campos

Call to Order

Council Member Michael Cacciotti called the meeting to order at 12:00 p.m.

DISCUSSION ITEMS:

1. *Quarterly Report of Investments:* The Committee reviewed the quarterly investment report that was provided to the Board. By December 31, 2021, the South Coast AQMD's weighted average yield on total investments of \$1,152,480,217.55 from all sources was 0.47%. The allocation by investment type was 97.0% in the Los Angeles County Pooled Surplus Investment Fund (PSI) and 3.0% in the State of

California Local Agency Investment Fund (LAIF) and South Coast AQMD's Special Purpose Investments (SPI). The one-year Treasury Bill rate as of December 31, 2021 was 0.38%.

2. Financial Market Update: Richard Babbe from PFM Asset Management provided an overview of current economic conditions. The U.S. Real GDP Annualized Rate in the fourth quarter of 2021 was characterized by changing expectations. COVID impacted consumer activity due to fears of new variants and possible concerns of the situation in Ukraine. The economy was strong due to fiscal stimulus and low interest rates. The national unemployment rate was 4%, though this is still higher than pre-pandemic levels, likely due to child-care issues, health and well being of employees, and increases in the value of 401K retirement accounts. Companies, specifically small businesses were having difficulty retaining and hiring employees. This impacts the manufacturing and non-manufacturing sectors, causing them to slow down. Severe shortages were seen in the retail sector where prices of cars rose by about 12% as inventories shrank. Similarly, the housing market was strong due to low interest rates. The U.S. trade deficit increased as the U.S. continues to demand more foreign goods. Even though individual disposable income increased due to stimulus money, household debt was at an all time high. The Consumer Price Index was at a historic high of 7%, driving up the retail price for food and gasoline. Several price and production indicators show that inflation might linger on and may not come down overnight. This might cause the Federal Reserve to increase interest rates faster than previously anticipated causing short-term treasury yields to go up.

ACTION ITEM:

3. Approval of Annual Investment Policy and Delegation of Authority to Los Angeles County Treasurer to Invest South Coast AQMD funds: The South Coast AQMD adopts an Annual Investment Policy which, if done, is required to be considered at a public meeting of the Board. Staff recommended approval of the Annual Investment Policy, with no additional updates or amendments. State law also requires the South Coast AQMD to annually renew its delegation of authority to its treasurer, the Los Angeles County Treasurer, to invest or to reinvest funds of the local agency. Staff recommended renewal of this delegation of authority.

Moved by: Richard Dixon; Seconded by Brent Mason;

Ayes: Mayor Pro Tem Michael Cacciotti, Chair, Richard Dixon, Brent Mason, Patrick Pearce

Noes: None

Abstain: None

Absent: Senator Vanessa Delgado (Ret.), Vice Chair, Board Member Veronica Padilla-Campos

OTHER MATTERS:

4. Other Business

There was no other business to report.

5. Public Comment Period

There were no public comments to report.

6. Next Meeting Date

The next regular meeting of the Investment Oversight Committee is scheduled for May 20, 2022 at noon.

Adjournment

The meeting adjourned at 12:40 p.m.