

BOARD MEETING DATE: August 4, 2023

AGENDA NO. 14

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee held a hybrid meeting on Friday, June 9, 2023. 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: Councilmember Michael Cacciotti, Chair
Supervisor Curt Hagman
Board Member Veronica Padilla-Campos
Councilmember José Luis Solache
Richard Dixon
Jill Whynot

Absent: Patrick Pearce

Call to Order

Chair Michael Cacciotti called the meeting to order at 8:03 a.m.

DISCUSSION ITEMS:

1. *Quarterly Report of Investments:* Staff presented the quarterly investment report and reported that by March 31, 2023, South Coast AQMD's weighted average yield on total investments of \$1,255,413,744.22 from all sources was 3.37 percent. The allocation by investment type was 93 percent in the Los Angeles County Pooled Surplus Investment Fund and 7 percent in the State of California Local Agency Investment Fund and South Coast AQMD's Special Purpose Investments. The one-year Treasury Bill rate as of March 31, 2023 was 4.64 percent.

Chair Cacciotti prompted Ms. Jain to confirm corrections to purchase dates of Special Purpose Investments listed on Page 3 of the Quarterly Report of Investments (Discussion Item # 1). Ms. Jain confirmed that the listed purchase dates of 3/14/2023 and 12/05/2023, should be changed to 2/28/2022 and 12/05/2022, respectively.

2. Cash Flow Forecast: Sujata Jain, Chief Financial Officer, Deputy Executive Officer, reported on the cash flow for the current and next three years. South Coast AQMD limits Special Purpose Investments to 75 percent of the minimum amount of funds available for investment during the Cash Flow Horizon. That limit, which includes all funds such as General, MSRC, Clean Fuels, AB 617 Incentive and Implementation, Carl Moyer, and Volkswagen, is \$318.8 million. Current Special Purpose Investments are below the maximum limit. Ms. Jain explained that staff works with the Los Angeles County Treasurer for investments that will provide additional interest yield.
3. Financial Market Update: Richard Babbe from the consulting firm of PFM Asset Management gave a presentation on economic indicators. Mr. Babbe stated that CPI, one of the key indicators, seemed to be trending down and was about 5.5 percent at the end of the first quarter. The GDP had dropped to approximately 1.1 percent which indicates a potential slowdown in the economy in the next six to twelve months. Despite that, the labor market was still strong with a 3.4 percent unemployment rate, continuing to be at a historic low. Retail sales are not slowing down, however, credit card debt is increasing. Mortgage rates climbed up to about 7 percent which caused home sales to slow down. Most likely the federal fund rate will stay elevated for the near future. The bond and equity market was volatile due to uncertainty surrounding the debt ceiling increase.

Supervisor Hagman inquired if it is beneficial to invest funds versus keeping cash liquid. Mr. Babbe responded that it would depend on the cash needs of the entity. He also stated that getting a 4.5 percent interest rate for a two-year security might be a good investment because inflation might come down over that two-year period to lower than 4.5 percent.

Chair Cacciotti asked Ms. Jain if the South Coast AQMD should invest money to get more yield. Ms. Jain responded that our investment policy requires diversification and, therefore, about forty million dollars is invested in Local Agency Investment Fund and fifty million dollars is invested in Special Purpose Investments. Ms. Jain explained that we can invest more of some restricted funds but we need to ensure that we do not lock those for more than a year if we are going to need the funds for incentives in the near future.

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 September 8, 2023 at 8:00 a.m.

Adjournment

The meeting adjourned at 8:31 a.m.