

BOARD MEETING DATE: October 6, 2023

AGENDA NO. 18

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee held a hybrid meeting on Friday, September 8, 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: Vice Chair Michael A. Cacciotti, Committee Chair
Supervisor Curt Hagman
Board Member Veronica Padilla-Campos
Councilmember José Luis Solache
Jill Whynot

Absent: Richard Dixon

Call to Order

Chair Cacciotti called the meeting to order at 8:02 a.m.

For additional details of the Investment Oversight Committee Meeting, please refer to the [Web cast](#).

DISCUSSION ITEMS:

1. *Quarterly Report of Investments:* Sujata Jain, Chief Financial Officer/Finance, presented the quarterly investment report and reported that by June 30, 2023, South Coast AQMD's weighted average yield on total investments of \$1,273,431,247.76 from all sources was 3.74 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.

Committee Chair Cacciotti asked about the strategy involved in determining reinvestment of funds due to upcoming maturity of treasury notes. Ms. Jain explained that staff will look into the needs of the funds and work with the L.A. County Treasurer to reinvest the funds. For additional information please refer to the [Webcast at 7:57](#).

2. *Financial Market Update*: Richard Babbe, from the consulting firm of PFM Asset Management, gave a presentation on economic indicators. Mr. Babbe discussed CPI, inflation trends, goods demands, unemployment, and consumer spending. He also talked about a New York Fed model based on the yield curve which shows that there is a 66 percent chance of a recession in July 2024, but that would also depend on other outcomes such as performance from China's real estate market, U.S. commercial real estate, and U.S. student debt repayment. Another indicator of a recession is a slowdown in the federal tax allocation. The Federal Reserve may be done with their interest rate increases and are hoping for a soft landing which involves cooling off the economy in such a manner as to avoid a major disruption due to a recession.

Ms. Whynot asked if there is any indication of how deep of a recession is being predicted. Mr. Babbe talked about the probability versus the magnitude of a recession. For additional information please refer to the [Webcast at 30:52](#).

Board Member Padilla-Campos asked how long the interest rates would stay elevated. Mr. Babbe replied that typically it is seven to nine months on average from when the Federal Reserve stops raising interest to when interest rates are reduced. For additional information please refer to the [Webcast at 32:38](#).

Board Member Padilla-Campos asked about the repayment of credit card debt. Mr. Babbe stated that the overall consumer debt has increased and for the most part people are paying off the debt. For additional information please refer to the [Webcast at 33:51](#).

Committee Chair Cacciotti asked Mr. Babbe what his advice would be regarding the reinvestment of the \$40 million in Special Purpose Investments (SPI) that will be maturing in February 2024. Mr. Babbe stated that any reinvestment is based on liquidity and restrictions on the funds. For additional information please refer to the [Webcast at 35:46](#).

OTHER MATTERS:

3. Other Business

There was no other business to report.

4. **Public Comment Period**

There were no public comments to report.

5. **Next Meeting Date**

The next regular Investment Oversight Committee meeting is scheduled for Friday, December 8, 2023 at 8:00 a.m.

Adjournment

The meeting adjourned at 8:37 a.m.