

BOARD MEETING DATE: July 11, 2014

AGENDA NO. 29

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee met Friday, May 30, 2014 and discussed various issues detailed in the Committee report. The next Investment Oversight Committee meeting is scheduled for Friday, November 21, 2014 at 12:00 noon in Conference Room CC2.

RECOMMENDED ACTION:  
Receive and file this report.

Dr. Joseph K. Lyou, Acting Chair  
Investment Oversight Committee

MBO:lg

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**Attendance:** Present at SCAQMD were Committee members Gary Burton, Richard Dixon, and Brent Mason. Councilmember Michael A. Cacciotti, and Dr. Joseph K. Lyou attended by teleconference. Absent were Supervisor Michael Antonovich (Chair) and Committee Member Dr. William Burke.

**Investment Committee Action Items:**

Quarterly Report of Investments: The Committee reviewed the quarterly investment report that was provided to the Governing Board. For the month of December 2013, the SCAQMD's weighted average yield on total investments of \$555,996,982.01 from all sources was .69%. The allocation by investment type was 85% in the Los Angeles County Pooled Surplus Investment Fund (PSI) and 15% in the State of California Local Agency Investment Fund (LAIF) and Special Purpose Investments (SPI). The one-year Treasury Bill rate as of December 31, 2013 was .13%. The Committee unanimously approved the quarterly report.

**Investment Committee Discussion Item:**

Cash Flow Forecast: Michael O'Kelly reported on the cash flows for the current year and projected for the next three years. SCAQMD Investment Policy limits its Special Purpose investments to 75% of the minimum amount of funds available for investment during the Cash Flow Horizon. That limit, which includes all funds (General, MSRC, Clean Fuels), is \$133.4 million.

Treasury Operations and Contingency Plan and Procedures: The Committee discussed the need to revise the Treasury Operations Contingency Plan and Procedures primarily due to an issue related to SCAQMD's account with the State of California Local Agency Investment Fund (LAIF) where the Los Angeles County Treasurer (Treasurer) is not comfortable with SCAQMD employees as signatories on the LAIF account. The Chief Financial Officer (CFO), Michael O'Kelly, stated that he has discussed the issue with the Treasurer, SCAQMD Legal Counsel, and the Executive Officer. Based on these discussions, the Treasurer has confirmed that they will not allow SCAQMD employees as signatories on the LAIF account for their internal control reasons, but it has been determined that SCAQMD does have the ability to access the LAIF account in the event of an emergency under the current Treasury Operations Contingency Plan and Procedures even though SCAQMD are not currently signatories. Nonetheless, a revised Treasury Operations Contingency Plan and Procedures and emergency authority Governing Board Resolution will be presented at the February 2015 Investment Oversight Committee.

Financial Market Update: Sarah Meacham from PFM Asset Management provided the Committee with information on current investment markets, economic conditions, and the overall outlook. She presented market information on current low but rising Treasury yields, continued steepening Treasury yield curve, and increased levels of corporate debt issuance. Economic indicators were also presented showing flat economic growth, improving unemployment rate, rising home prices, and a shrinking supply of Federal Agency Debt.

**Other Business:** None

**Public Comment:** None