

BOARD MEETING DATE: June 3, 2022

AGENDA NO. 20

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee held a meeting remotely on Friday, May 20, 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
Brent Mason
Patrick Pearce

Absent: Senator Vanessa Delgado (Ret.), Vice Chair
Richard Dixon
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 March 31, 2022, South Coast AQMD's weighted average yield on total investments of \$1,150,403,730.42 from all sources was 0.69 percent. The allocation by investment type was 93 percent in the Los Angeles County Pooled Surplus Investment Fund (PSI) and 7.0 percent 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 March 31, 2022, was 1.63 percent.

2. *Cash Flow Forecast:* Sujata Jain, Chief Financial Officer/Deputy Executive Officer, reported on the cash flows for the current year and the projections for the next three years. South Coast AQMD Investment Policy limits its 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 Implementation, and Volkswagen, is \$269.2 million. Current Special Purpose Investments are below the maximum limit. Staff works with the Los Angeles County Treasurer for investments that will give additional interest yield.
3. *Financial Market Update:* Richard Babbe from PFM Asset Management provided an overview of current economic conditions. The two-year Treasury yield rose sharply to 2.4 percent as of March 31, 2022, compared to 0.17 percent one year ago. The United States GDP for the first quarter of 2022 contracted by 1.4 percent. The trade deficit for the month of March was at a record high of \$89.3 billion. The unemployment rate continued on a downward trend at 3.6 percent, which suggests that the job market is strong. However, if high gas and retail prices persist and inflation, which is at a forty year high of 8.5 percent, continues to cut consumer spending, a recession might be on the horizon. Some slowdown is occurring in manufacturing and the new and existing home sales market. Shortages due to supply chain issues continue to drive inflation up on wholesale goods. Another indicator of a slowdown is the drop of almost 20 percent in the equity market compared to a year ago. Overall, the United States outstanding debt continues to grow, surpassing \$30 trillion. With interest rates rising, the government's ability to make debt payments could be impacted.

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 August 19, 2022, at noon.

Adjournment

The meeting adjourned at 12:36 p.m.