

BOARD MEETING DATE: December 7, 2018

AGENDA NO. 20

REPORT: Investment Oversight Committee

SYNOPSIS: The Investment Oversight Committee held a meeting on Friday, November 16, 2018. The following is a summary of the meeting.

RECOMMENDED ACTION:
Receive and file.

Michael A. Cacciotti, Chair
Investment Oversight Committee

SJ:av

Committee Members

Present: Council Member Michael Cacciotti, Chair (teleconference)

Dr. Joseph K. Lyou

Supervisor Shawn Nelson (teleconference)

Committee Member Richard Dixon

Committee Member Brent Mason

Committee Member Patrick Pearce

Absent: Dr. William A. Burke, Vice Chair

Call to Order

Chair Cacciotti called the meeting to order at 12:03 p.m.

DISCUSSION ITEMS:

1. *Quarterly Report of Investments:* The Committee reviewed the quarterly investment report that was provided to the Board. For the month of September 2018, the SCAQMD's weighted average yield on total investments of \$806,969,469 from all sources was 1.94%. The allocation by investment type was 89.06% in the Los Angeles County Pooled Surplus Investment Fund (PSI) and 10.94% in the State of California Local Agency Investment Fund (LAIF) and Special Purpose Investments (SPI). The one-year Treasury Bill rate as of September 30, 2018 was 2.59%.

2. Cash Flow Forecast: Sujata Jain, Assistant Deputy Executive Officer/Finance, reported on the cash flows for the current year and the projections 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 \$131.5 million. Current Special Purpose Investments are well below the maximum limit. Staff is looking at the current increase in interest rates and opportunities for additional interest yield.
3. Financial Market Update: Mr. Richard Babbe from PFM Asset Management provided information on current investment markets, economic conditions, and the overall outlook. He presented market information on potential increases in federal interest rates, Treasury yield curve showing solid increases but flattening, and record corporate profits due to tax cuts. Economic indicators were also presented showing slower third quarter economic growth, inflation firming up to 2%, consumer confidence to an eighteen year high, growth in the labor market, national unemployment rate of 3.7 percent, and with volatility in the market there is anticipation of how the current expansion will play out in 2019. The Committee Members encouraged staff to assess interest rates and report back with any recommendations.

ACTION ITEMS:

4. Calendar Year 2019 Committee Meeting Dates: For calendar year 2019, quarterly Investment Oversight Committee meeting dates are as follows: Friday, February 15; Friday, May 17; and Friday, November 15. The August quarterly meeting has been cancelled in conjunction with the cancellation of all SCAQMD Board and Committee meetings during the month of August.

Moved by Lyou; seconded by Mason; unanimously approved.

OTHER MATTERS:

5. Other Business

There was no other business.

6. Public Comment Period

There were no public comments.

7. Next Meeting Date

The next regular meeting of the Investment Oversight Committee is scheduled for February 15, 2019 at noon.