

SAN MATEO COUNTY  
TREASURY OVERSIGHT COMMITTEE

MINUTES

October 28, 2019

**1. CALL TO ORDER**

The meeting was called to order at 12:06 p.m. by Sandie Arnott

**2. ROLL CALL**

Members and guests were asked to introduce themselves during roll call.

**MEMBERS IN ATTENDANCE**

Sandie Arnott (Treasurer-Tax Collector)  
Stephanie Osaze (Finance Manager, Bay Area Air Quality Management District)  
Denise Porterfield (Deputy Superintendent Fiscal & Operational Services Division)  
Robert Manchia (Budget Director, County Manager's Office)  
Margie Gustafson (Administrator, County Office of Education)

**MEMBERS ABSENT**

Daneca Halvorson (Treasurer, City of Daly City) **Chair**  
Helen Fisicaro (Town of Colma)

**STAFF IN ATTENDANCE**

Tiffany Htwe (Financial Services Manager II)  
Gina M. Luiz (Executive Assistant)  
Anthony Clifford (Assistant Treasurer)

**MEMBERS OF THE PUBLIC IN ATTENDANCE**

Ken Schiebel (PFM)  
Nancy Jones (PFM)  
Connie Mobley-Ritter (Director, Treasury - San Mateo County Transit District)  
Beverly Correa (J.P. Morgan)  
Andrea Beard (J.P. Morgan)

**3. APPROVAL OF MINUTES – April 15, 2019**

Denise Porterfield made a motion to approve minutes from the April 15, 2019 meeting, seconded by Robert Manchia. Meeting minutes were approved unanimously.

**4. TREASURER'S REPORT**

Ms. Arnott stated the revised 2019 Investment Policy was approved by the Board of Supervisors on October 8, 2019. The primary changes to the 2019 Investment Policy were to

reflect modifications to the guidelines since the investing is no longer conducted by one person.

Ken Schiebel from PFM presented the portfolio and strategy update. He discussed the new framework for the portfolio. PFM has designed an investment strategy that segments the portfolio into three components: cash matched short-term portfolio, liquidity buffer, and a core portfolio of long-term investment strategy. PFM began managing the portfolio on an interim basis beginning in April. On July 1<sup>st</sup>, they transferred to a full-time basis for a long-term portion of the portfolio. The three key elements that are in the process are: longer duration strategy, utilizing 1-5-year maturity range, and maintaining broad diversification. One of the key strategy points of emphasis will be to increase the allocation to highly rated corporate securities that are rated A or better, permitted by policy.

The core portfolio, which includes only the part that PFM manages, has a market value just under \$4.5 billion with an average duration of 1.6 years. Mr. Schiebel noted the average duration was about one year when PFM took over on July 1<sup>st</sup>. PFM is in the process of transitioning to a long-term strategy. He mentioned that credit quality is very high, and AA is the largest category. PFM continues to broadly diversify, and a key shift to more treasuries is a reaction to limited opportunities in today's economic environment.

Mr. Schiebel continued his presentation by stating that consumer confidence remains high. Stock market prices are pushed back to record highs, and housing sales continue to increase as well. PFM's current view is that the U.S. economy will not slip into a recession. He noted it may slow during the next few quarters, but there is no sign of risk of a recession. However, if there was a recession it would impact local government finances. If a recession occurred the strategy and liquidity amounts would need to be reexamined and adjusted.

Mr. Schiebel reported the Fed raised rates four times in 2018 by .25% each time. Rates remained steady for six to seven months, and then the Fed cut rates in the third quarter. There will be an upcoming rate hike in early November, and a few more cuts over the next six to twelve months. With the upcoming rate hikes, it would put short term rates at 1.5-1.75%

## **5. INVESTMENT REPORT**

Mr. Clifford introduced himself as the new Assistant Treasurer, and discussed his background in banking. He noted that this time of year is busy due to incoming property tax payments, and the Treasurer's office is using Check 21 imaging to send images to Union Bank. The Check 21 imaging will allow the Treasurer's office to receive funds faster.

Mr. Clifford commended the investment department for their work on the monthly investment report. Ms. Htwe noted the Macias Gini O'Connell audit report was released for the fiscal year ending June 30, 2019 and there were no exceptions. She thanked the cash management specialists, banking, and investment staff for assisting with the audit report.

**6. ORAL COMMUNICATION AND PUBLIC COMMENT**

Bev Correa from J.P. Morgan announced that October is Cyber Security Month. Ms. Correa distributed hand-outs to read and share with staff.

**7. OTHER BUSINESS**

None

**8. 2020 MEETING DATES**

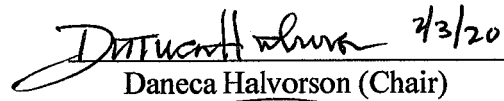
Monday, February 3

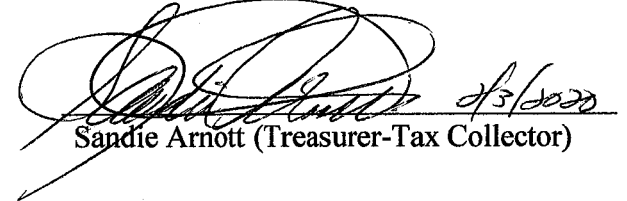
Monday, April 13

Monday, October 26

**9. ADJOURNMENT**

The meeting was adjourned at 12:45 p.m.

 7/3/20  
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Daneca Halvorson (Chair)

 7/3/2020  
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Sandie Arnott (Treasurer-Tax Collector)