

# County of Santa Clara



## Finance Agency Controller-Treasurer Department

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April 14, 2017

Submitted by: Alan Minato  
Alan Minato, Controller-Treasurer

TO: BOARD OF TRUSTEES, SANTA CLARA COUNTY SCHOOL DISTRICTS  
BOARDS OF DIRECTORS, SANTA CLARA COUNTY SPECIAL PURPOSE DISTRICTS

FROM: EMILY HARRISON, DIRECTOR OF FINANCE Emily Harrison

SUBJECT: COUNTY OF SANTA CLARA TREASURY INVESTMENT PORTFOLIO STATUS

### **RECOMMENDATION**

Receive and file the December 31, 2016 Detailed Investment Portfolio Listing.

### **DISCUSSION**

In compliance with the State of California Government Code as amended by Chapters 783 and 784, Statutes of 1995 and in compliance with County Policy, the Santa Clara County Treasury Investment Portfolio Report as of December 31, 2016 is submitted for your review and acceptance.

The attached detailed investment reports list each investment of the County Treasury Pool as well as individual reports for specific investment funds that each school district or special district has in the County Treasury. The reports include the respective purchase and maturity dates, par value, amortized cost, market value, and yield to maturity for each investment.

A summary of market value versus cost is provided below for Commingled Investments of the County Pool.

	Cost	Market Value	Increase (Decrease)	Percent
Commingled Investments	\$7,081,500,486	\$7,064,473,900	(\$17,026,586)	(-0.24%)

The yield of the pool on December 31, 2016 was 0.96%. As a comparison, on December 31, 2016 the yield of a 6-month Treasury Bill was 0.61%. A two-year Treasury Note was 1.19%. The State of California Local Agency Investment Fund (LAIF) yield was 0.72%.

Attached with the current investment strategy is a schedule that lists the average weighted maturities and yield for the Commingled Treasury Pool. Charts outlining investment concentration and distribution of bond maturities are provided for the Pool. Also included is a chart showing the one-year history of the Pool along with interest rates offered by selected comparable instruments.

Securities are purchased with the expectation that they will generally be held to maturity, hence unrealized gains or losses are not reflected in the yield calculations.

The market values of Pool securities were taken from pricing services provided by Bank of New York Mellon, Bloomberg Analytics, dealer quotes, and an independent pricing service.

A combination of securities maturing, new revenues, and tax receipts will adequately cover the anticipated cash flow needs for the next six months. Cash flows are continually monitored and are considered paramount in the selection of securities purchased for the Pool.

Please note that this report has not been received by the Santa Clara County Board of Supervisors as of the date of this memorandum. If any Board member would like further information on this report, please let me know.

Attachments:

December 2016 Quarterly Investment Summary



# **Quarterly Investment Report**

**December 31, 2016**

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### Quarterly Investment Report

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Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simitian

County Executive: Jeffrey V. Smith



## Santa Clara County Commingled Pool and Segregated Investments

December 31, 2016

Fund	Cost Value**	Market Value	Variance	% Variance
Commingled Investment Pool	\$7,081,500,486	\$7,064,473,900	-\$17,026,586	-0.24%
Worker's Compensation	\$27,637,689	\$27,745,600	\$107,911	0.39%
Mountain View-Los Altos	\$2,026,553	\$2,026,553	\$0	0.00%
Palo Alto Unified	\$23	\$23	\$0	0.00%
Park Charter Fund	\$9,057,643	\$9,054,469	-\$3,174	-0.04%
San Jose-Evergreen	\$20,030,200	\$19,992,734	-\$37,467	-0.19%
Medical Malpractice Insurance Fund (1)	\$13,002,560	\$12,984,945	-\$17,614	-0.14%
<b>Total</b>	<b>\$7,153,255,155</b>	<b>\$7,136,278,225</b>	<b>-\$16,976,930</b>	<b>-0.24%</b>

(1) Managed by Chandler Asset Management, Inc.

### Summary of Yields\* for Select Santa Clara County Investment Funds

Fund	2016			2015
	<u>Oct 31</u>	<u>Nov 30</u>	<u>Dec 31</u>	<u>Dec 31</u>
Commingled Investment Pool	0.99%	0.97%	0.96%	0.72%
Worker's Compensation	1.08%	1.08%	1.39%	1.21%
<b>Weighted Yield</b>	<b>1.02%</b>	<b>0.97%</b>	<b>0.96%</b>	<b>0.73%</b>

\*Yield to maturity (YTM) is the rate of return paid on a bond, note, or other fixed income security if the investor buys and holds it to its maturity date and if the coupon interest paid over the life of the bond is reinvested at the same rate as the coupon rate. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price at time of purchase.

Yield is a snapshot measure of the yield of the portfolio on the day it was measured based on the current portfolio holdings on that day. This is not a measure of total return, and is not intended to be, since it does not factor in unrealized capital gains and losses and reinvestment rates are dependent upon interest rate changes

\*\*Cost Value is the amortized book value of the securities as of the date of this report.



## **Santa Clara County Commingled Pool and Segregated Investments**

### **Portfolio Compliance, Review, and Monitoring**

**December 31, 2016**

#### **Yield and Weighted Average Maturity**

The yield of the Commingled Pool is .956 and the weighted average life is 422 days.

#### **Compliance**

The County Treasurer believes the Commingled Pool contains sufficient cash flow from liquid and maturing securities, bank deposits and incoming cash to meet the next six months of expected expenditures.

#### **Review and Monitoring**

FTN Financial Main Street Advisors, the County's investment advisor, currently monitors the Treasury Department's investment activities.

#### **Additional Information**

Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by the Bank of New York Mellon, Bloomberg Analytics, dealer quotes, and an independent pricing service.



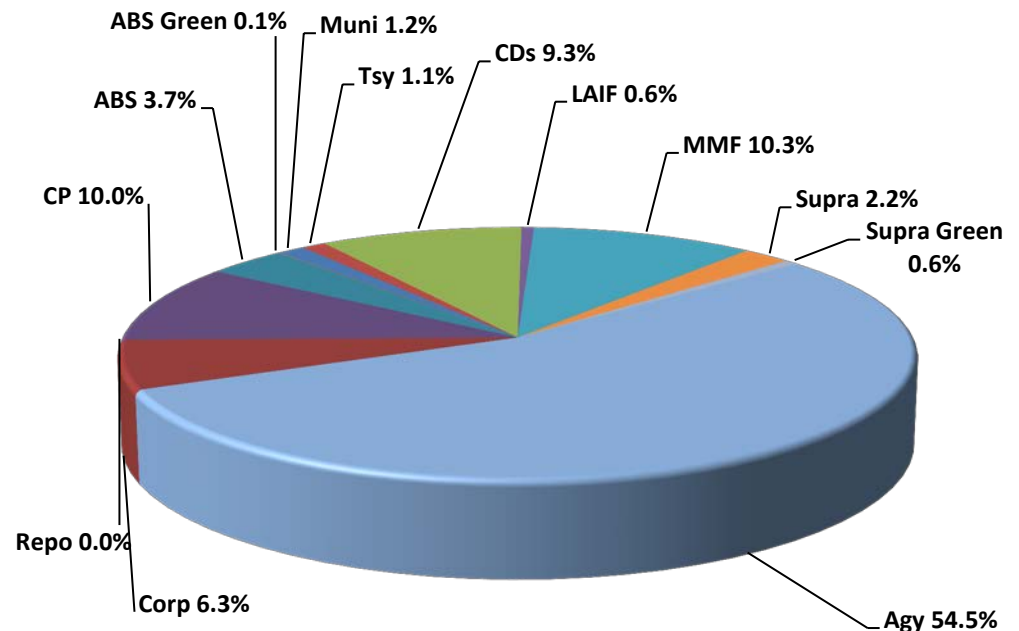
## Santa Clara County Commingled Pool

### Allocation by Security Types

December 31, 2016

Sector	12/31/2016	9/30/2016	% Chng
Federal Agencies	54.52%	61.90%	-7.4%
Corporate Bonds	6.30%	7.49%	-1.2%
Repurchase Agreements	0.00%	0.00%	0.0%
Commercial Paper	9.98%	5.30%	4.7%
ABS	3.75%	4.70%	-0.9%
ABS Green Bonds	0.06%	0.08%	0.0%
Municipal Securities	1.23%	2.36%	-1.1%
U.S. Treasuries	1.13%	1.58%	-0.4%
Negotiable CDs	9.32%	9.33%	0.0%
LAIF	0.57%	0.79%	-0.2%
Money Market Funds	10.28%	2.50%	7.8%
Supranationals	2.22%	3.09%	-0.9%
Supranationals Green Bonds	0.64%	0.88%	-0.2%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	

Sector	12/31/2016	9/30/2016
Federal Agencies	3,860,960,209	3,149,653,321
Corporate Bonds	446,259,976	381,271,844
Repurchase Agreements	-	-
Commercial Paper	706,381,461	269,530,923
ABS	265,330,880	238,944,274
ABS Green Bonds	3,999,829	3,999,816
Municipal Securities	87,366,321	120,037,197
U.S. Treasuries	80,286,959	80,370,309
Negotiable CDs	660,000,135	475,001,146
LAIF	40,231,132	40,170,096
Money Market Funds	728,240,394	127,035,603
Supranational	157,443,189	157,443,454
Supranationals Green Bonds	45,000,000	45,000,000
<b>Total</b>	<b>7,081,500,486</b>	<b>5,088,457,982</b>



Amounts are based on book value

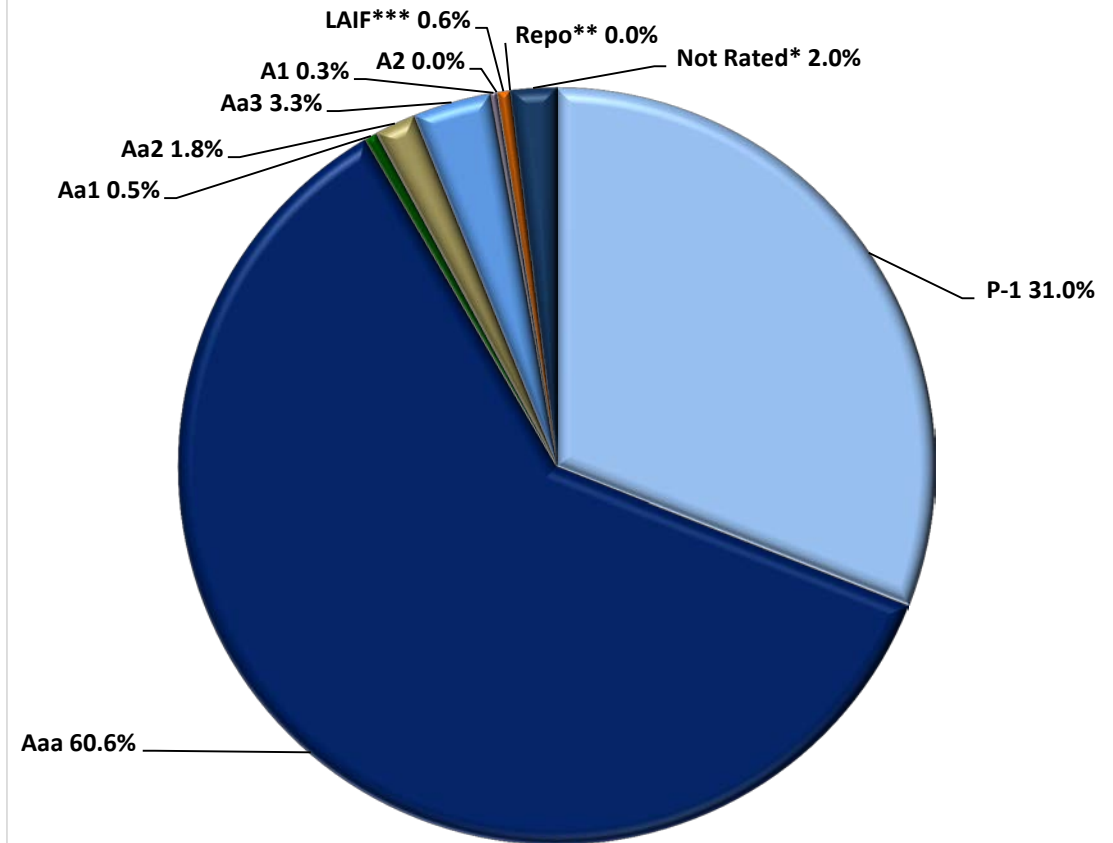


## Santa Clara County Commingled Pool

### Allocation by Ratings

December 31, 2016

Moody's Rating	Portfolio \$	Portfolio %
P-1	2,194,323,780	31.0%
Aaa	4,289,542,298	60.6%
Aa1	37,972,483	0.5%
Aa2	124,225,865	1.8%
Aa3	236,563,137	3.3%
A1	19,895,146	0.3%
A2	-	0.0%
A3	-	0.0%
LAIF***	40,231,132	0.6%
Repo**	-	0.0%
Not Rated*	138,746,646	2.0%
Total	7,081,500,486	100.0%



\*Not Rated by Moody's but A-1+ by S&P

\*\*Repurchase Agreements are not rated, but are collateralized by U.S. Treasury securities or securities issued by the Federal Agencies of the U.S.

\*\*\*LAIF is not rated, but is comprised of State Code allowable securities

Amounts are based on book values

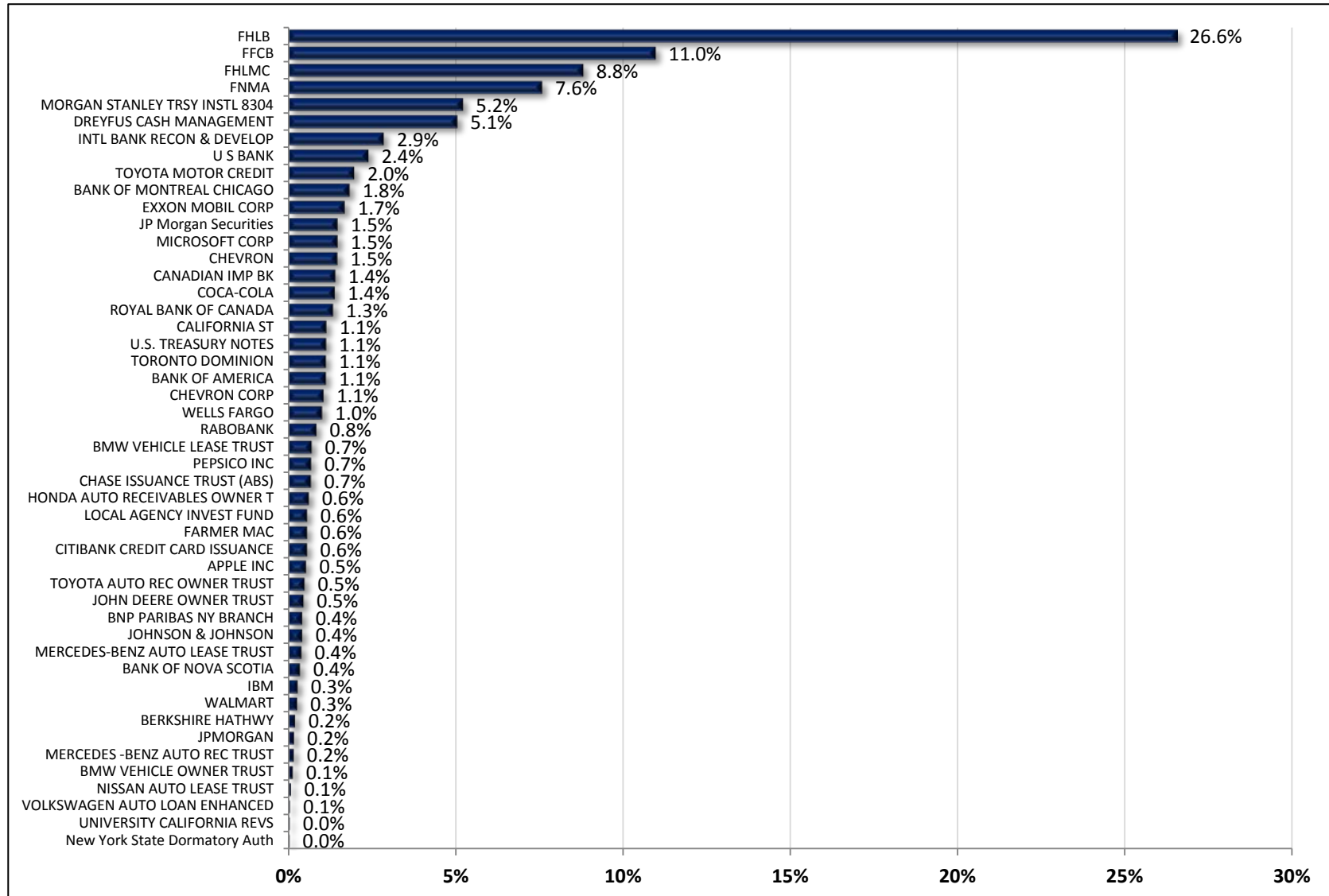




## Santa Clara County Commingled Pool

### Holdings by Issuer - Percent of Commingled Pool

December 31, 2016



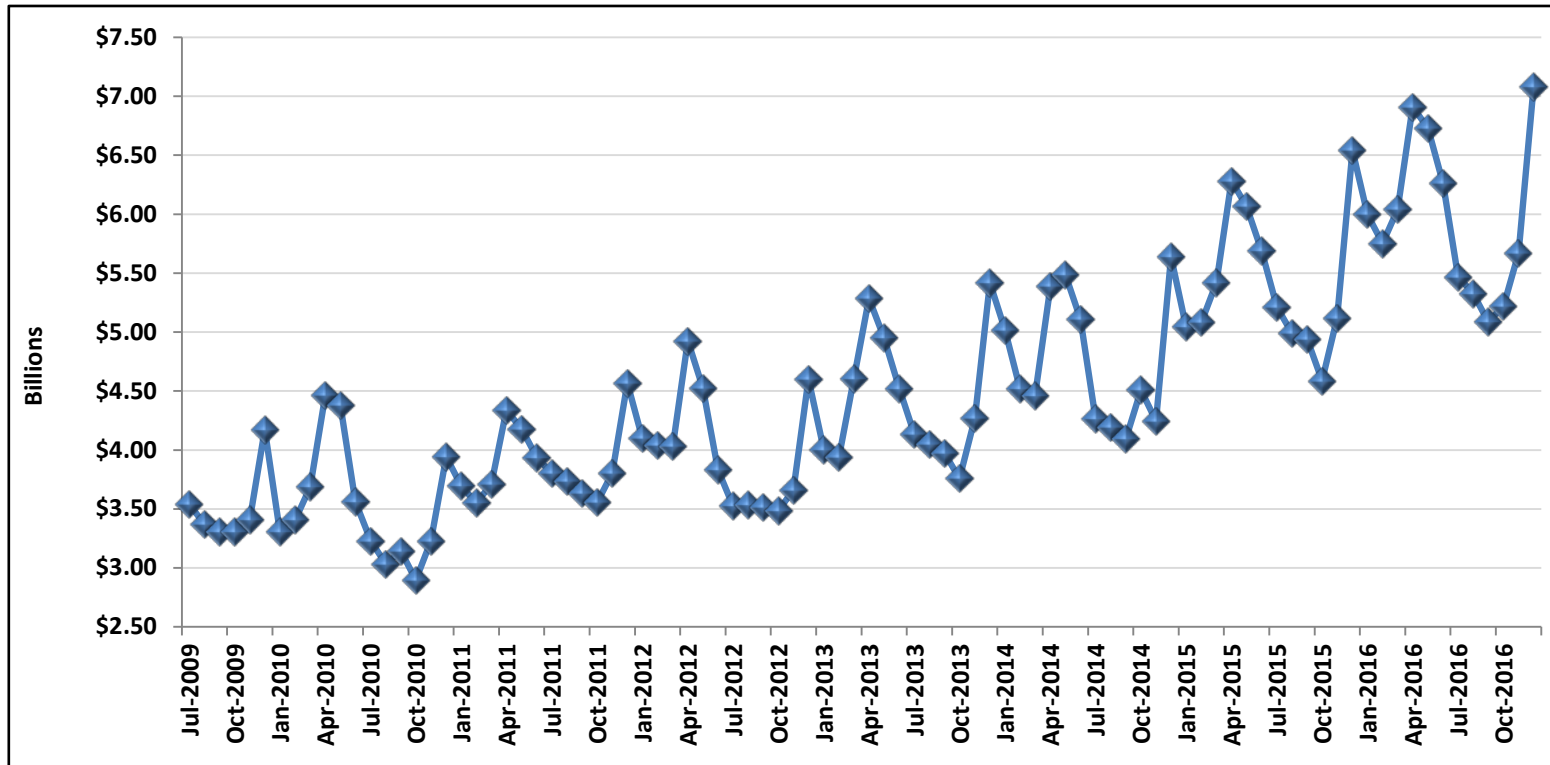
Amounts are based on book values



## Santa Clara County Commingled Pool

### Historical Month End Book Values

December 31, 2016



Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2010	\$3.541	\$3.373	\$3.307	\$3.307	\$3.408	\$4.175	\$3.307	\$3.408	\$3.687	\$4.463	\$4.384	\$3.536
FY 2011	\$3.230	\$3.032	\$3.143	\$2.898	\$3.227	\$3.943	\$3.695	\$3.551	\$3.712	\$4.339	\$4.179	\$3.935
FY 2012	\$3.801	\$3.736	\$3.637	\$3.555	\$3.805	\$4.567	\$4.097	\$4.040	\$4.032	\$4.926	\$4.525	\$3.833
FY 2013	\$3.508	\$3.517	\$3.515	\$3.469	\$3.645	\$4.600	\$3.918	\$3.982	\$4.606	\$5.286	\$4.952	\$4.521
FY 2014	\$4.133	\$4.052	\$3.975	\$3.758	\$4.271	\$5.419	\$5.019	\$4.520	\$4.461	\$5.386	\$5.487	\$5.108
FY 2015	\$4.267	\$4.194	\$4.096	\$4.051	\$4.247	\$5.639	\$5.045	\$5.085	\$5.420	\$6.284	\$6.065	\$5.690
FY 2016	\$5.212	\$4.990	\$4.941	\$4.587	\$5.120	\$6.543	\$5.997	\$5.752	\$6.040	\$6.911	\$6.728	\$6.263
FY 2017	\$5.469	\$5.328	\$5.088	\$5.220	\$5.671	\$7.082						

Amounts in billions

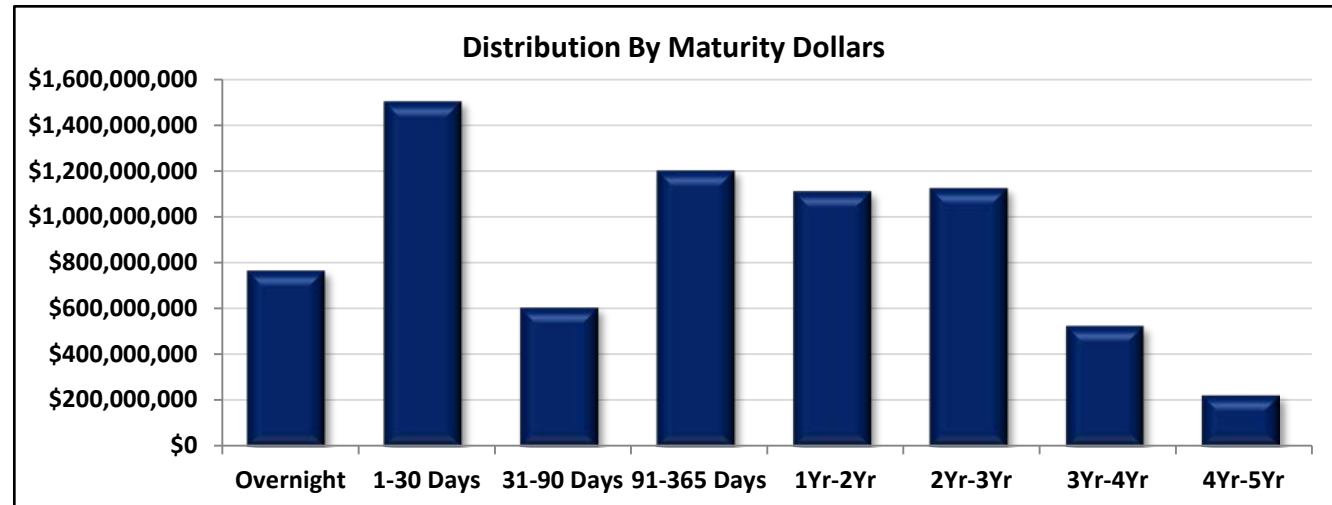


## Santa Clara County Commingled Pool

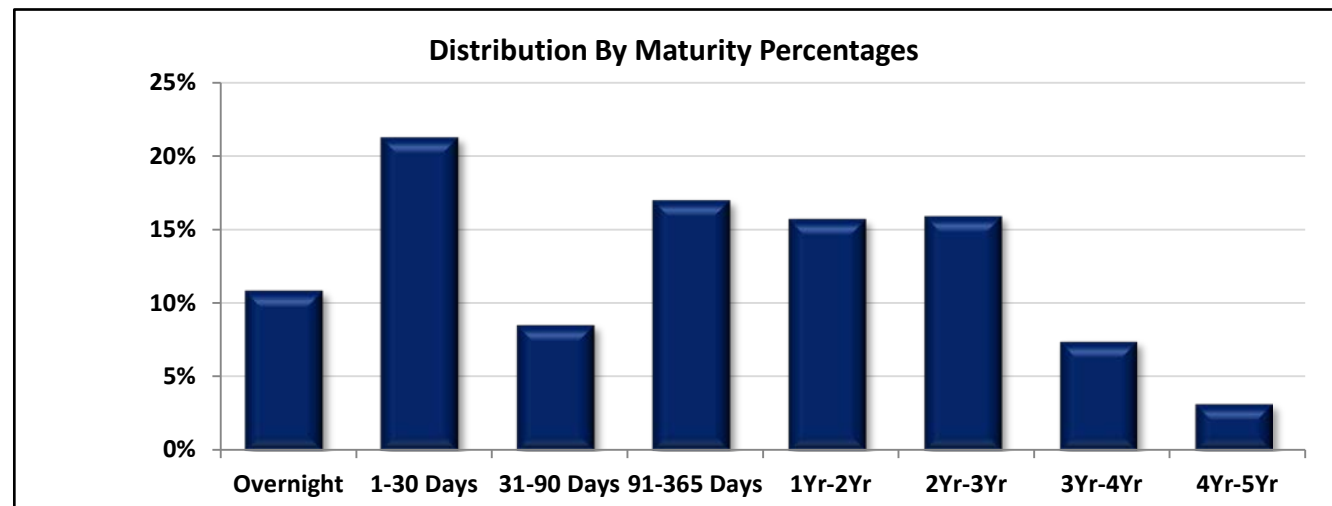
### Distribution by Maturity

December 31, 2016

Maturity	Amount*
Overnight	768,471,526
1-30 Days	1,507,566,852
31-90 Days	606,194,470
91-365 Days	1,205,600,747
1Yr-2Yr	1,113,643,571
2Yr-3Yr	1,128,533,856
3Yr-4Yr	526,863,755
4Yr-5Yr	224,625,709
	7,081,500,486



Maturity	Amount*
Overnight	10.85%
1-30 Days	21.29%
31-90 Days	8.56%
91-365 Days	17.02%
1Yr-2Yr	15.73%
2Yr-3Yr	15.94%
3Yr-4Yr	7.44%
4Yr-5Yr	3.17%
	100.00%



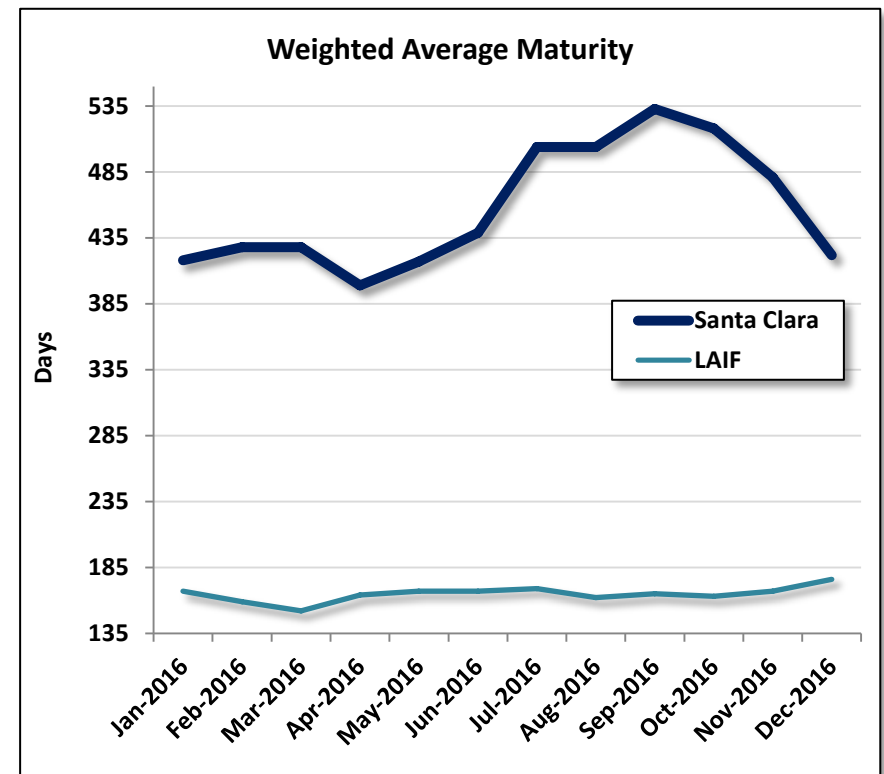
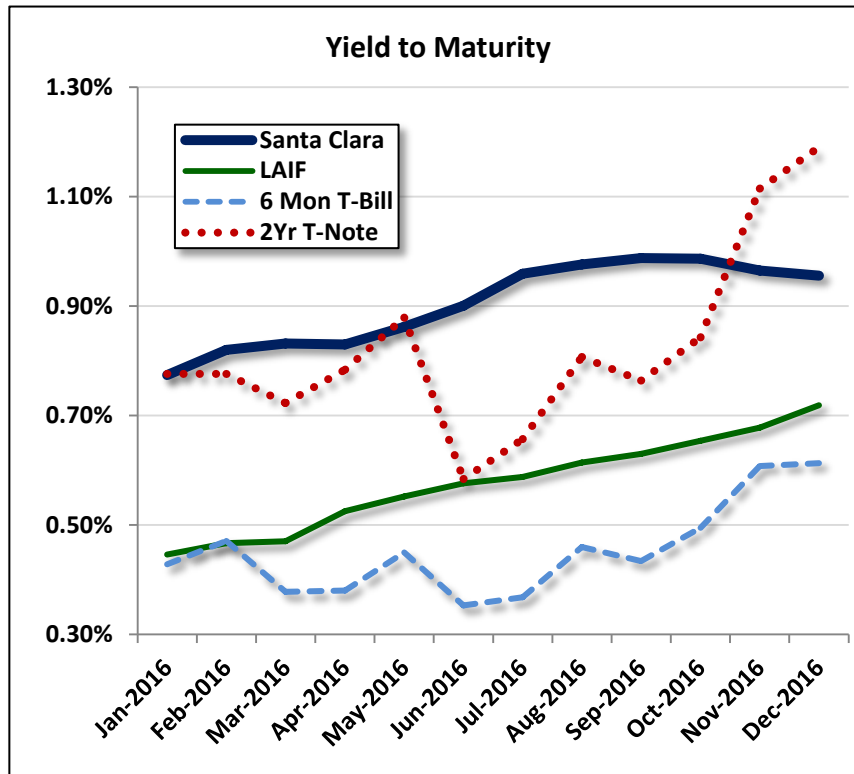
\*Amounts are based on book value



## Santa Clara County Commingled Pool

### Yield to Maturity and Weighted Average Maturity

December 31, 2016



Item	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
SCC YTM	0.77%	0.82%	0.83%	0.83%	0.86%	0.90%	0.96%	0.98%	0.99%	0.99%	0.97%	0.96%
LAIF YTM	0.45%	0.47%	0.47%	0.53%	0.55%	0.58%	0.59%	0.61%	0.63%	0.65%	0.68%	0.72%
6 Mon T-Bill	0.43%	0.47%	0.38%	0.38%	0.45%	0.35%	0.37%	0.46%	0.43%	0.50%	0.61%	0.61%
2Yr T-Note	0.78%	0.78%	0.72%	0.78%	0.88%	0.58%	0.66%	0.81%	0.76%	0.84%	1.12%	1.19%
SCC WAM	418	428	428	399	417	439	504	504	533	518	481	422
LAIF WAM	167	159	152	164	167	167	169	162	165	163	167	176



## Santa Clara County

### Approved Issuers and Broker/Dealers

December 31, 2016

#### Direct Commercial Paper Issuers

General Electric  
Toyota Motor Credit  
US Bank, NA

#### Broker/Dealers

Barclays Capital, Inc  
Blaylock Robert Van, LLC BMO  
Capital Markets  
BNP Paribas Securities Corp Brean  
Capital LLC  
Cantor Fitzgerald & Co  
CastleOak Securities LP  
Citigroup Global Markets Inc Credit  
Suisse Securities, USA Daiwa  
Capital Markets America Inc  
Deutsche Bank Securities Inc FTN  
Financial, Inc  
Incapital LLC  
Jefferies & Co  
JP Morgan Securities, Inc Keybank  
Capital Markets, Inc Loop Capital  
Markets LLC  
Merrill Lynch & Co Inc  
Mizuho Securities USA, Inc Morgan  
Stanley & Co Inc  
Piper Jaffray & Co  
Raymond James, Inc.  
RBC Capital Markets, Inc  
Stifel Nicolaus & Co  
Suntrust Robinson Humphrey Inc  
UBS  
Vining Sparks LP  
Williams Capital

**Santa Clara County Commingled Pool**  
**Compliance with Investment Policy**  
**December 31, 2016**



Item/Sector	Parameters	In Compliance
Maturity	Weighted Average Maturity (WAM) must be less than 24 months	Yes
Interest Periods	Securities must pay interest within one year of the initial investment and at least semiannually in subsequent years	Yes
Investment Swaps	Similar maturity swaps, so as not to affect cash flow needs, should have minimum 5 basis point gain	Yes
Issuer Limits	No more than 5% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers Acceptances, CP, Negotiable CDs, and Corporate Notes	Yes
U.S. Treasuries	No sector limit, no issuer limit, max maturity 5 years	Yes
U.S. Federal Agencies	No sector limit, no issuer limit, max maturity 5 years	Yes
LAIF	No sector limit, no issuer limit, CA State's deposit limit \$65 million	Yes
Repurchase Agreements	No sector limit, no Issuer limit, max maturity 92 days, treasury and agency collateral at 102% of investment, if maturity exceeds 15 days, must be collateralized by securities with 5 years or less maturities	Yes
Commercial Paper	Sector limit 40%, issuer limit 5%, max maturity 270 days, rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), issued by domestic corporation w/ at least \$500 mil of assets, and long term debt rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's)	Yes
Corporate Bonds	Sector limit 30%, issuer limit 5%, max maturity 5 years, rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's), issued by domestic corps/depositories	Yes
Money Market Funds	Sector limit 20%, issuer limit 10%, rated by at least two: AAA-m (S&P/Fitch)/Aaa-mf (Moody's), MMF has at least \$500 mil managed	Yes
Negotiable Certificates of Deposit	Sector limit 30%, issuer limit 5%, max maturity 5 years, if under 1 year rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), if greater than 1 year rated by at least two: AA- (S&P/Fitch)/Aa3 (Moody's)	Yes
Municipal Securities	Sector limit 10%, no issuer limit, State of CA, local CA agencies, and other municipal securities of the other 49 states, if long-term rated, then by at least two: A- (S&P/Fitch)/A3 (Moody's), if short-term rated, then by at least two: SP-1 (S&P), MIG-1 (Moody's), F-1 (Fitch), revenue based bonds payable solely out of the States' or local agencies' revenues	Yes
Mortgage-Backed Securities	Sector limit 20% in aggregate with ABS, no issuer limit, max maturity 5 years, collateralized by pools of conforming residential mortgage loans insured by FHLMC/FNMA and residential mortgages guaranteed by FHA (GNMA)	Yes, None in Portfolio
Asset-Backed Securities	Sector limit 20% in aggregate with ABS, no issuer limit, max maturity 5 years, collateralized by pools of loans such as installment/receivables, security must be rated by at least two: AA- (S&P/Fitch), Aa3 (Moody's), issuer rated by at least two: A- (S&P/Fitch), A3 (Moody's)	Yes
Supranational Debt Obligations	Sector limit 10%, max maturity 5 years, issued or unconditionally guaranteed by the IBRD, rated by at least two: AAA (S&P/Fitch), Aaa (Moody's)	Yes
Bankers' Acceptances	Sector limit 40%, issuer limit 5%, max maturity 180 days, rated by at least two: A-1 (S&P), P-1 (Moody's), F-1 (Fitch), issued by commercial banks	Yes, None in Portfolio
Securities Lending	Sector limit 20%, max maturity 92 days for loans and reinvestment, loan counterparty must be a primary dealer, loaned securities must be owned for at least 30 days	Yes, None in Portfolio