

County of Santa Clara



Finance Agency Controller-Treasurer Department

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May 18, 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 EH

SUBJECT: COUNTY OF SANTA CLARA TREASURY INVESTMENT PORTFOLIO STATUS

RECOMMENDATION

Receive and file the March 31, 2017 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 March 31, 2017 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	\$6,550,388,607	\$6,534,778,535	(\$15,610,072)	(0.24%)

The yield of the pool on March 31, 2017 was 1.10%. As a comparison, on March 31, 2017 the yield of a 6-month Treasury Bill was 0.90%. A two-year Treasury Note was 1.26%. The State of California Local Agency Investment Fund (LAIF) yield was 0.82%.

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.

Attachments:

March 2017 Quarterly Investment Summary



Quarterly Investment Report

March 31, 2017



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Quarterly Investment Report Table of Contents

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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

March 31, 2017

Fund	Cost Value**	Market Value	Variance	% Variance
Commingled Investment Pool	\$6,550,388,607	\$6,534,778,535	-\$15,610,072	-0.24%
Worker's Compensation	\$27,756,838	\$27,834,734	\$77,896	0.28%
Mountain View-Los Altos	\$2,028,018	\$2,028,018	\$0	0.00%
Palo Alto Unified	\$0	\$0	\$0	0.00%
Park Charter Fund	\$8,989,973	\$8,988,137	-\$1,836	-0.02%
San Jose-Evergreen	\$20,060,358	\$20,084,285	\$23,927	0.12%
Medical Malpractice Insurance Fund (1)	\$13,034,522	\$13,026,721	-\$7,802	-0.06%
Total	\$6,622,258,315	\$6,606,740,429	-\$15,517,886	-0.23%

(1) Managed by Chandler Asset Management, Inc.

Summary of Yields* for Select Santa Clara County Investment Funds

Fund	2017			2016
	<u>Jan 31</u>	<u>Feb 28</u>	<u>Mar 31</u>	<u>Mar 31</u>
Commingled Investment Pool	0.99%	1.03%	1.10%	0.83%
Worker's Compensation	1.39%	1.40%	1.42%	1.21%
Weighted Yield	1.01%	1.03%	1.10%	0.83%

*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

March 31, 2017

Yield and Weighted Average Maturity

The yield of the Commingled Pool is 1.10 and the weighted average life is 479 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.

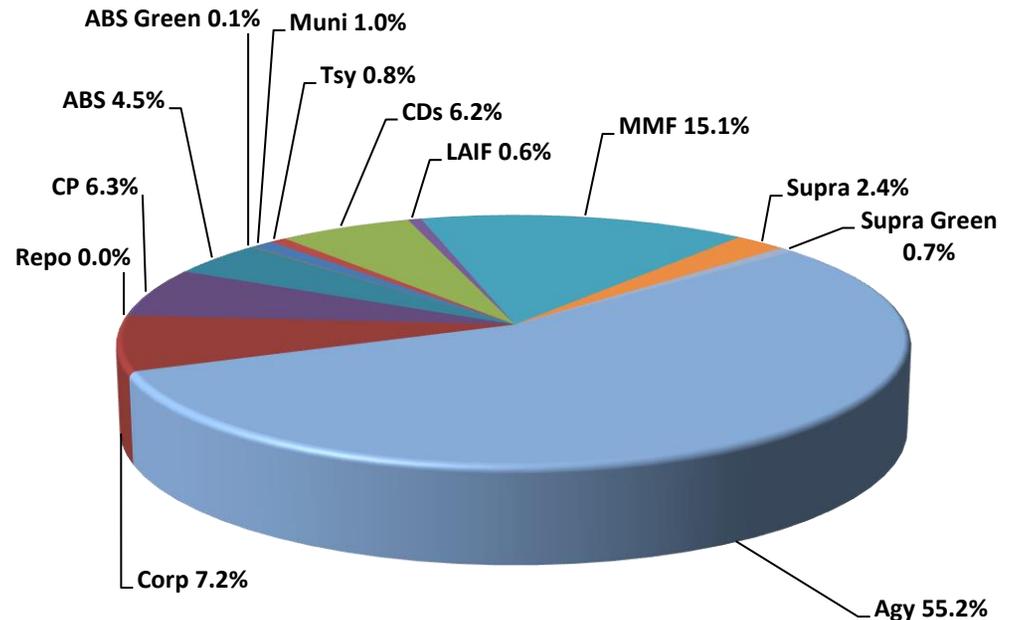


Santa Clara County Commingled Pool

Allocation by Security Types

March 31, 2017

Sector	3/31/2017	12/31/2016	% Chng
Federal Agencies	55.16%	54.52%	0.6%
Corporate Bonds	7.16%	6.30%	0.9%
Repurchase Agreements	0.00%	0.00%	0.0%
Commercial Paper	6.31%	9.98%	-3.7%
ABS	4.47%	3.75%	0.7%
ABS Green Bonds	0.06%	0.06%	0.0%
Municipal Securities	1.05%	1.23%	-0.2%
U.S. Treasuries	0.77%	1.13%	-0.4%
Negotiable CDs	6.18%	9.32%	-3.1%
LAIF	0.62%	0.57%	0.0%
Money Market Funds	15.13%	10.28%	4.8%
Supranationals	2.40%	2.22%	0.2%
Supranationals Green Bonds	0.69%	0.64%	0.1%
Total	100.00%	100.00%	



Sector	3/31/2017	12/31/2016
Federal Agencies	3,613,374,765	3,860,960,209
Corporate Bonds	469,232,374	446,259,976
Repurchase Agreements	-	-
Commercial Paper	413,372,894	706,381,461
ABS	292,660,894	265,330,880
ABS Green Bonds	3,999,842	3,999,829
Municipal Securities	68,580,743	87,366,321
U.S. Treasuries	50,278,980	80,286,959
Negotiable CDs	405,000,000	660,000,135
LAIF	40,299,659	40,231,132
Money Market Funds	991,145,531	728,240,394
Supranational	157,442,925	157,443,189
Supranationals Green Bonds	45,000,000	45,000,000
Total	6,550,388,607	7,081,500,486

Amounts are based on book value

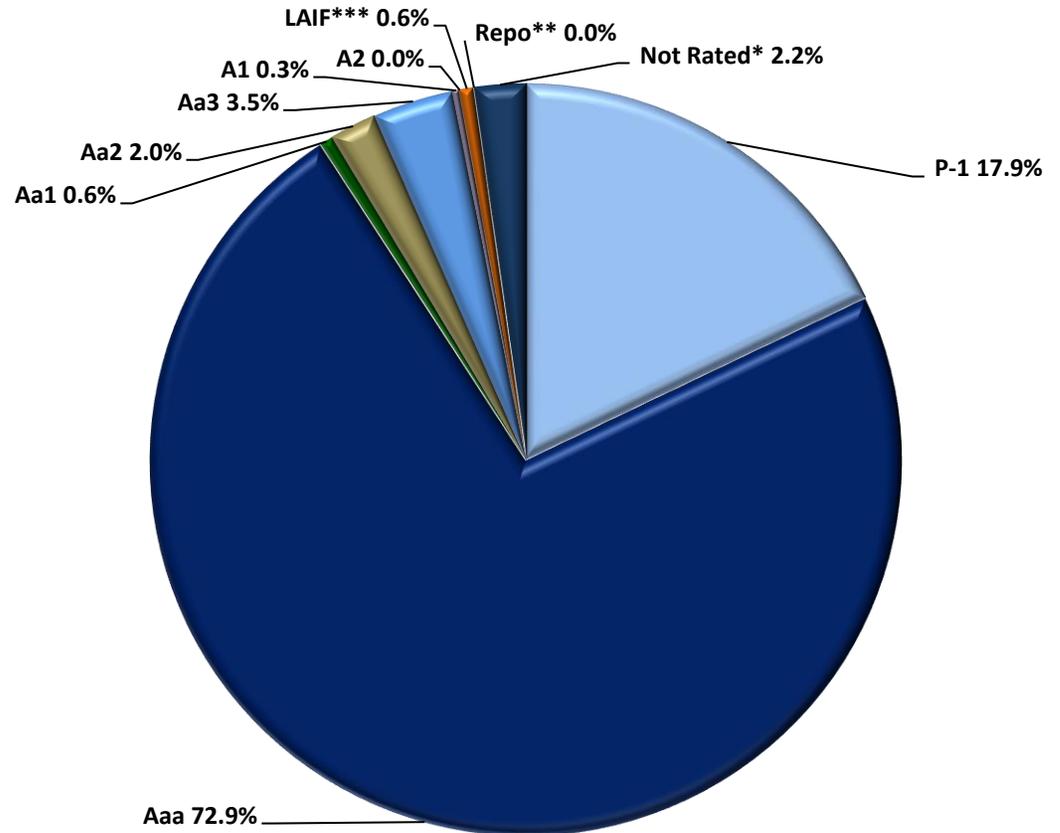


Santa Clara County Commingled Pool

Allocation by Ratings

March 31, 2017

Moody's Rating	Portfolio \$	Portfolio %
P-1	1,174,325,576	17.9%
Aaa	4,772,835,575	72.9%
Aa1	37,975,516	0.6%
Aa2	132,228,815	2.0%
Aa3	227,198,280	3.5%
A1	19,868,054	0.3%
A2	-	0.0%
A3	-	0.0%
LAIF***	40,299,659	0.6%
Repo**	-	0.0%
Not Rated*	145,657,131	2.2%
Total	6,550,388,607	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

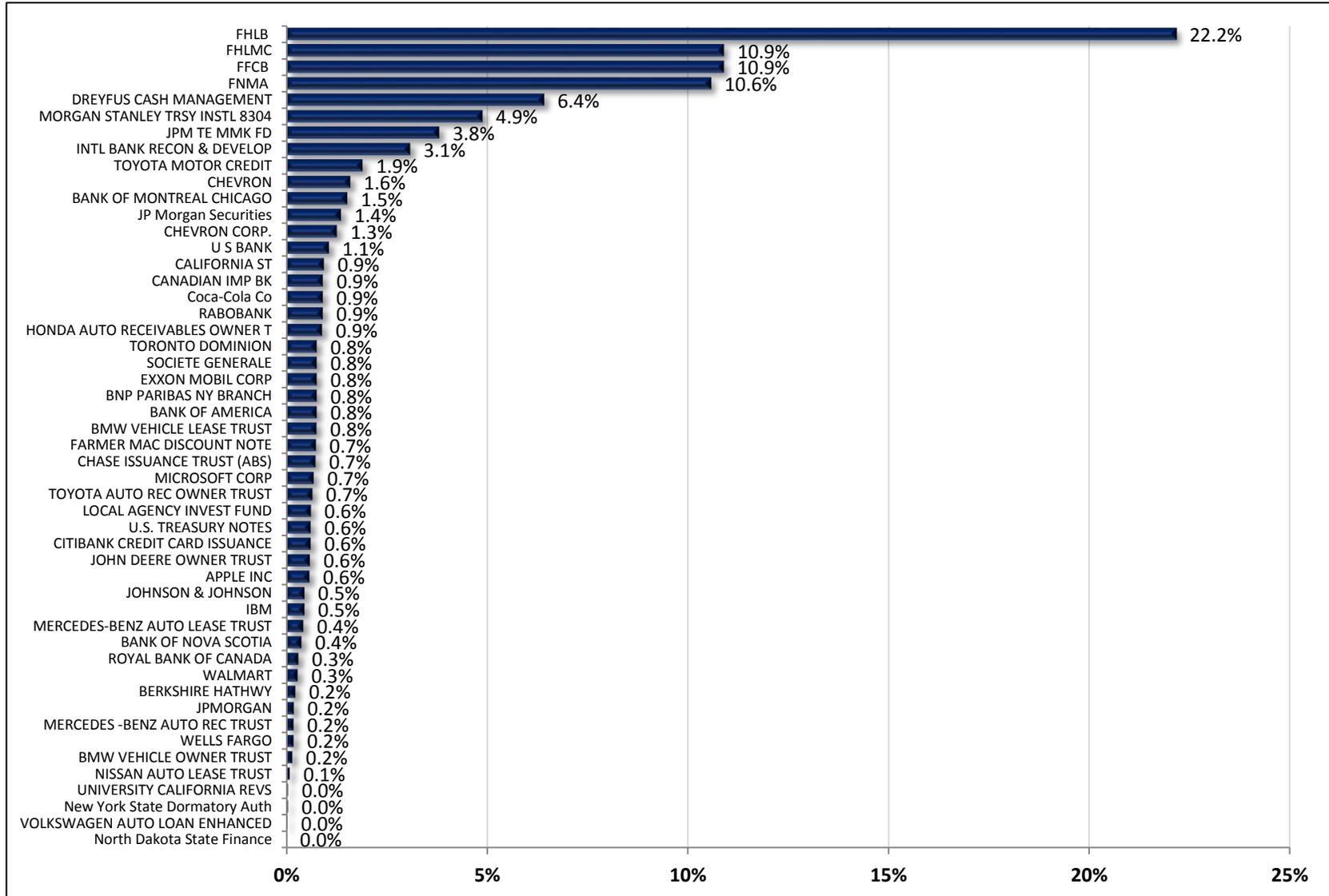
Amounts are based on book values



Santa Clara County Commingled Pool

Holdings by Issuer - Percent of Commingled Pool

March 31, 2017



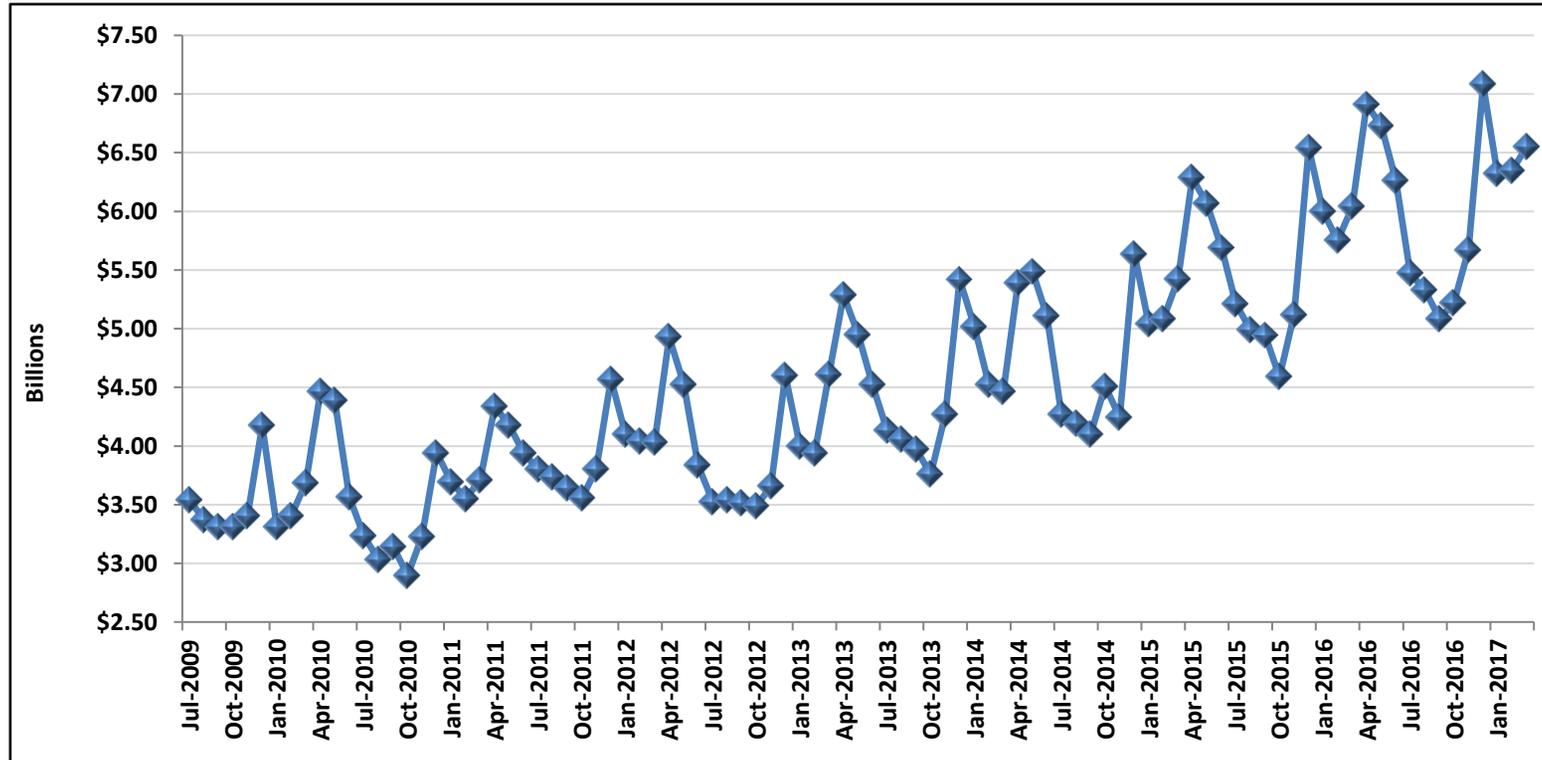
Amounts are based on book values



Santa Clara County Commingled Pool

Historical Month End Book Values

March 31, 2017



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	\$6.319	\$6.348	\$6.550			

Amounts in billions

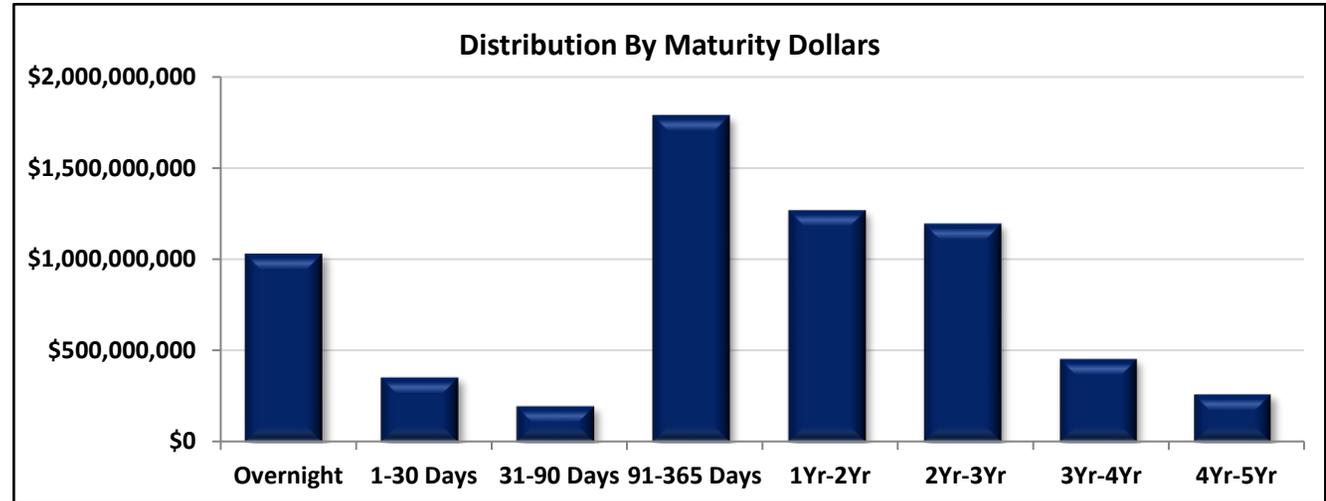


Santa Clara County Commingled Pool

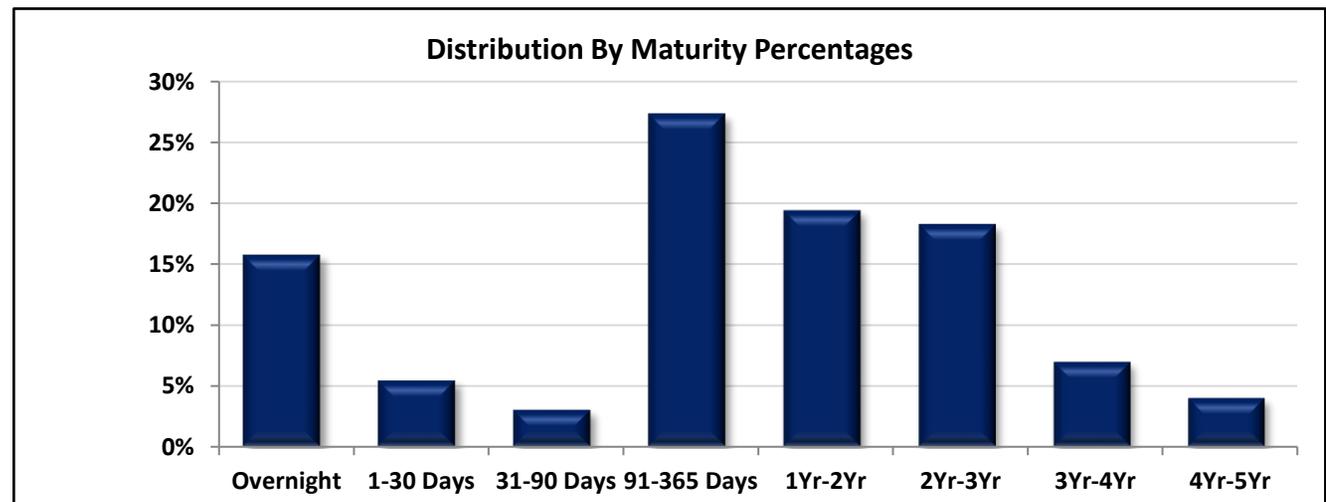
Distribution by Maturity

March 31, 2017

Maturity	Amount*
Overnight	1,031,445,190
1-30 Days	353,989,226
31-90 Days	196,031,911
91-365 Days	1,789,431,824
1Yr-2Yr	1,269,190,646
2Yr-3Yr	1,195,011,355
3Yr-4Yr	455,015,855
4Yr-5Yr	260,272,598
	6,550,388,607



Maturity	Amount*
Overnight	15.75%
1-30 Days	5.40%
31-90 Days	2.99%
91-365 Days	27.32%
1Yr-2Yr	19.38%
2Yr-3Yr	18.24%
3Yr-4Yr	6.95%
4Yr-5Yr	3.97%
	100.00%



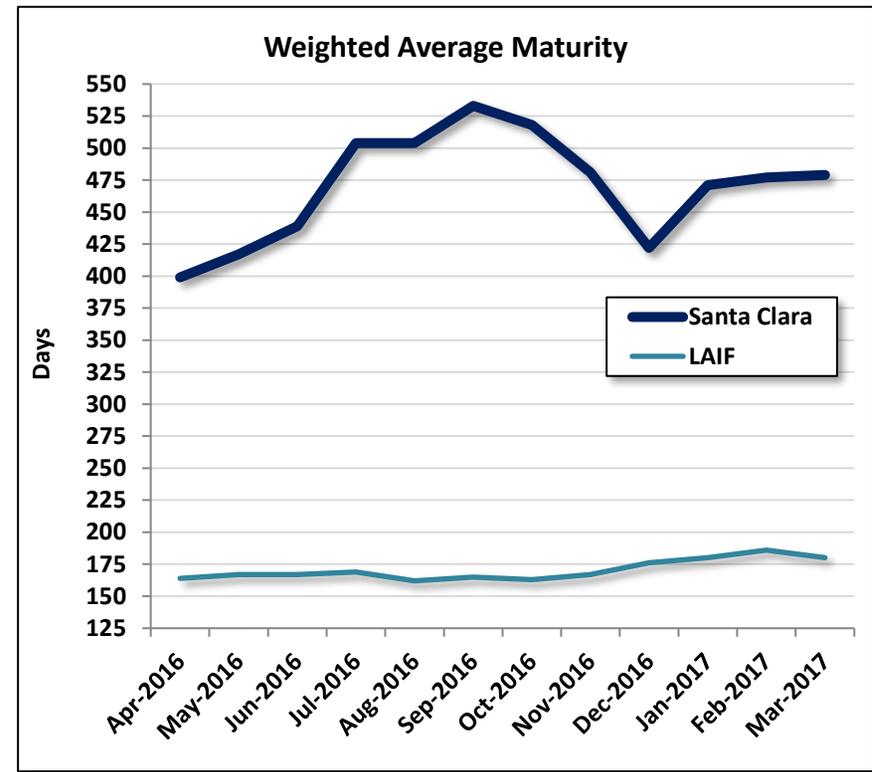
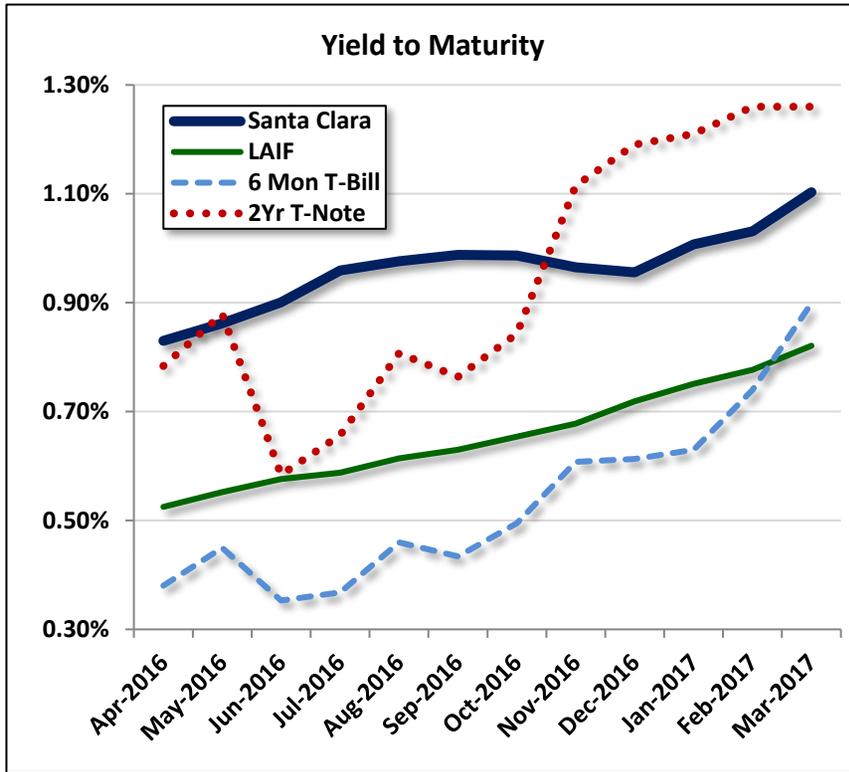
*Amounts are based on book value



Santa Clara County Commingled Pool

Yield to Maturity and Weighted Average Maturity

March 31, 2017



Item	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
SCC YTM	0.83%	0.86%	0.90%	0.96%	0.98%	0.99%	0.99%	0.97%	0.96%	1.01%	1.03%	1.10%
LAIF YTM	0.53%	0.55%	0.58%	0.59%	0.61%	0.63%	0.65%	0.68%	0.72%	0.75%	0.78%	0.82%
6 Mon T-Bill	0.38%	0.45%	0.35%	0.37%	0.46%	0.43%	0.50%	0.61%	0.61%	0.63%	0.74%	0.90%
2Yr T-Note	0.78%	0.88%	0.58%	0.66%	0.81%	0.76%	0.84%	1.12%	1.19%	1.21%	1.26%	1.26%
SCC WAM	399	417	439	504	504	533	518	481	422	471	477	479
LAIF WAM	164	167	167	169	162	165	163	167	176	180	186	180



Santa Clara County

Approved Issuers and Broker/Dealers

March 31, 2017

Direct Commercial Paper Issuers

General Electric
Toyota Motor Credit
US Bank, NA

Broker/Dealers

Bank of America Merrill Lynch
Barclays Capital, Inc
BMO Capital Markets
BNP Paribas Securities Corp
BNY Mellon Capital Markets, LLC
Brean Capital LLC
Cantor Fitzgerald & Co
Citigroup Global Markets Inc
Daiwa Capital Markets America Inc
Deutsche Bank Securities Inc
FTN Financial, Inc
Incapital LLC
Jefferies & Co
JP Morgan Securities, Inc
Keybanc Capital Markets, Inc
Loop Capital Markets LLC
Mizuho Securities USA, Inc
Piper Jaffray & Co
Raymond James, Inc.
RBC Capital Markets, Inc
Stifel Nicolaus & Co
Suntrust Robinson Humphrey Inc
UBS Financial Services Inc
Vining Sparks LP
Williams Capital

Santa Clara County Commingled Pool
Compliance with Investment Policy
March 31, 2017



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