

**SAN MATEO COUNTY
TREASURY OVERSIGHT COMMITTEE**

MINUTES

Monday, May 23, 2022

1. CALL TO ORDER

The meeting, via Zoom, was called to order at 12:02 p.m. by Daneca Halvorson, Chair.

2. ROLL CALL

Members and guests were asked to state “present” as their name was announced during roll call.

MEMBERS IN ATTENDANCE

Daneca Halvorson (Treasurer, City of Daly City) **Chair**
Sandie Arnott (Treasurer-Tax Collector)
Virginia Chang Kiraly (San Mateo County Harbor District and Menlo Park Fire Protection District Board)
Connie Mobley-Ritter (Director, Treasury - San Mateo County Transit District)
Stephanie Osaze (Finance Manager, Bay Area Air Quality Management District)
Robert Manchia (San Mateo County Manager’s Office)

MEMBERS ABSENT

Kevin Bultema (Deputy Superintendent, Business Services Division)
Helen Fisicaro (Town of Colma)

STAFF IN ATTENDANCE

Tiffany Htwe (Investment & Finance Officer)
Gina M. Luiz (Executive Assistant)

MEMBERS OF THE PUBLIC IN ATTENDANCE

Ken Schiebel (PFM)
Nancy Jones (PFM)

3. RESOLUTION TO CONTINUE MEETING REMOTELY

Members of the Treasury Oversight Committee voted in favor to continue meeting remotely as a result of the ongoing COVID-19 pandemic state of emergency.

4. APPROVAL OF MINUTES – January 31st, 2022

Virginia Chang Kiraly made a motion to approve minutes from the January 31st, 2022 meeting, seconded by Connie Mobley-Ritter.

5. TREASURER'S REPORT – Sandie Arnott, Treasurer-Tax Collector

Members of the Treasury Oversight Committee received the revised 2022 Investment Policy. The updated 2022 Investment Policy includes a statement that covers socially responsible investments, including fossil fuels. Ms. Arnott clarified that the Treasurer's office did not commit to divest or discontinue investing in fossil fuel. Rather, she explained the Treasurer's office will seek alternative options when available so long as doing so ensures compliance with legal and fiduciary mandates. The 2022 Investment Policy was approved by four out of five members of the Board of Supervisors on April 19th. Ms. Arnott thanked PFM Asset Management and everyone involved who assisted. Virginia Chang Kiraly requested the red lined version of the Investment Policy moving forward.

6. INVESTMENT REPORT – Ken Schiebel, PFM and Tiffany Htwe, Investment & Finance Officer

Mr. Schiebel noted market volatility began in early 2022. High-interest rates make the market value of existing markets fall, but it means the new investments are at a higher yield than can be obtained today. Due to inflation, the first quarter GDP printed at a negative GDP number. There was a slowing in government spending at both the state and federal levels and some shrinkage of inventories. Business and consumer data remain strong. Consumer spending also remains strong, and business investment remains healthy.

The labor market is robust, and unemployment is 3.6% which is near a 50-year low. Consumer activity is strong, and households benefitted from stimulus funds. Business profits remain elevated, although there is a deceleration in housing with higher mortgage rates. Consumer confidence is high, but when people look forward to the future their expectations about where the economy is heading are much weaker. Consumers are worried about what is going to happen with inflation.

In March, the Federal Reserve recognized there was an inflation problem and forecasted as many as seven rate hikes. The Federal Reserve raised short-term rates twice this year. It is widely expected in June and July the rates will be close to 2%. This increase impacts market rates, housing, and credit. Energy prices, commodities, gold, etc. have generated positive returns. There are some great yields for long-term treasuries and corporate securities which is good for the yield on the County portfolio moving forward.

PFM manages the long-term core portfolio which invests out to five years. There is a short-term portfolio where there are specific opportunities and shorter maturities, especially in commercial paper and CDs given cash flows and liquidities. There is also a portfolio managed internally by Tiffany Htwe and the Treasurer's investment team. Now that the market yield has moved quickly it will take the portfolio a while to catch up through the reinvestment activity.

Ms. Htwe stated that as of April 30th the investment pool is approximately \$7.4 billion. The 24-month cash flow remains steady and stronger than ever. The average daily balance of the investment pool is increasing by over 10% annually. Due to the favorable yield purchased

in March, April, and May of this year the interest-earnings are significantly improving. Earnings look better compared to last year. Property tax collection rates remain at 99% which is helpful and contributes to the investment pool performance. 5.8% basis points will be charged for admin fees this fiscal year ending June 30th compared to the 9.5% basis points that was projected.

7. ORAL COMMUNICATION AND PUBLIC COMMENT

None

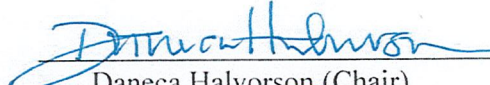
8. OTHER BUSINESS

Due to the COVID-19 pandemic, Governor Gavin Newsom declared a state of emergency in California. Assembly Bill 361 (AB 361) allows for meetings to take place via teleconference or virtual while still adhering to the Brown Act. If Governor Newsom lifts the COVID-19 state of emergency the Treasury Oversight Committee will no longer abide by AB 361 and meetings will resume in person. There are exceptions, for example, if you are ill, you may call in through teleconference or attend the meeting virtually. This decision will impact our October 24th meeting and members will be notified whether the meeting will take place in person or on Zoom.


An Investment 101 meeting is tentatively set for May 2023 for pool participants. The date will remain flexible, and we will keep everyone updated.

9. ADJOURNMENT

The meeting was adjourned at 12:43 p.m. and in memory of Helen Fisicaro's mother, Norma Sigmund, who passed away on Thursday, May 19th, 2022.



Daneca Halvorson (Chair)



Sandie Arnott (Treasurer-Tax Collector)