

SAN MATEO COUNTY  
TREASURY OVERSIGHT COMMITTEE

MINUTES

Monday, October 24<sup>th</sup>, 2022

**1. CALL TO ORDER**

The meeting, via Zoom, was called to order at 12:01 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)  
Helen Fisicaro (Town of Colma)  
Virginia Chang Kiraly (San Mateo County Harbor District and Menlo Park Fire Protection District Board)  
Stephanie Osaze (Finance Manager, Bay Area Air Quality Management District)  
Robert Manchia (San Mateo County Manager’s Office)  
Iliana Rodriguez (San Mateo County Manager’s Office)  
Kevin Bultema (Deputy Superintendent, Business Services Division)

**MEMBERS ABSENT**

Connie Mobley-Ritter (Director, Treasury - San Mateo County Transit District)

**STAFF IN ATTENDANCE**

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

**MEMBERS OF THE PUBLIC IN ATTENDANCE**

Ken Schiebel (PFM)  
Richard Babbe (PFM)  
Nancy Jones (PFM)

**3. RESOLUTION TO CONTINUE MEETING REMOTELY**

Virginia Chang Kiraly made a motion to approve the resolution to continue meeting remotely, seconded by Helen Fisicaro. 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 – May 23<sup>rd</sup>, 2022**

Virginia Chang Kiraly made a motion to approve minutes from the May 23<sup>rd</sup>, 2022, meeting, seconded by Stephanie Osaze. Meeting minutes were unanimously approved.

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

The COVID-19 State of Emergency will end on February 23, 2023. At that time, new rules around the Brown Act will be announced. The Treasury Oversight Committee will plan on meeting on Zoom in January, and at that time there will be an update on the May and October meetings.

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

Mr. Schiebel provided an economic update. He noted emerging areas of a slowdown since the Federal Reserve announced rate hikes. Existing home sales and construction have tapered off. The unemployment rate remains low at 3.5%. One of the critical challenges is inflation. Consumers spent a lot of accumulated savings during the pandemic, and there were supply chain issues as people continued ordering goods. At the beginning of this year, energy prices surged due to the Russian invasion of Ukraine. These factors came together to cause inflation to rise.

Energy, food, and services are keeping inflation high. Most economists think we have peaked and may see continued improvement in inflation. The Fed is adjusting policy to slow demand and the pace of inflation. The consequence of high inflation is that the Fed is committed to raising short-term interest rates to slow economic growth and inflation.

In March, the Fed forecasted that short-term rates would need to rise but stay under 1% for the remainder of 2022. The Fed is behind the curve in fighting the inflation battle, and they kept short-term rates too low for too long in addition to the stimulus measures put into place. Throughout the pandemic, up until the end of last year, long-term rates were low. The Fed has shifted gears and is tightening rates. Today, rates on a two-year treasury are close to 4.5% which is the highest yield in fifteen years. However, the market's expectation looking forward is for rates to not move much from where they are today. The Fed is nearing the end of the rate hike cycle.

The County pool is structured with sufficient liquidity. There are two key segments of the portfolio, the long-term core portfolio, and the short-term portfolio. The short-term portfolio is managed internally by the Treasurer's investment team. The short-term portfolio is used for the tax cycle, revenue collection, and expenditures that occur on a monthly and daily basis. The long-term core portfolio can be invested out beyond the current fiscal year. The strategy is targeting a 1–5-year strategy for funds.

The overall County pool is approximately \$6.4 billion. PFM's long-term core portfolio is approximately \$4.1 billion. More than 2/3 of the portfolio's investments are government securities so it's safe, secure, and highly liquid. Other security types include credit



instruments such as CDs, commercial paper, asset-backed securities, municipals, etc. The credit quality is AA rated. The rate is driven by S&P which has the US Government rated as AA+. The maturity distribution reinforces the notion that there is plenty of liquidity available. The duration of the portfolio is a little over a year and the duration of the core portfolio is 1.69 years.

Tiffany Htwe provided an update on the County portion of the portfolio. There is a healthy cash flow, and she continues to monitor and update changes regularly. The average pool balance is gradually increasing. The pool average is \$6.6 billion and has remained steady for the 1st quarter of FY 2022-23. The pool earnings rate is significantly improving in this rising rate environment, especially for the short-term side of the portfolio. Ms. Htwe is focusing on market movement because the interest rate may shift again. The FY 2021-22 audit is complete, and there were no exceptions. The Treasurer's office continues to manage its County portfolio according to the Investment Policy guidelines.

**7. ORAL COMMUNICATION AND PUBLIC COMMENT**

None

**8. OTHER BUSINESS**

None

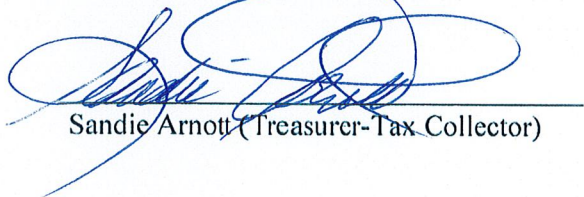
**9. 2023 MEETING DATES**

January 30, May 22, and October 23

**10. ADJOURNMENT**

The meeting was adjourned at 12:46 p.m.

  
Daneca Halvorson (Chair)

  
Sandie Arnott (Treasurer-Tax Collector)