



TREASURER-TAX COLLECTOR

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DAN McALLISTER
TREASURER-TAX
COLLECTOR

ANTOINETTE CHANDLER
CHIEF DEPUTY
TREASURER

TREASURY OVERSIGHT COMMITTEE

MINUTES OF MEETING

April 20, 2016

ATTENDANCE

6 Voting Members Present:

- Seat 1 Dan McAllister, Treasurer-Tax Collector
- Seat 2 Tracy Sandoval, Deputy Chief Administrative Officer, Auditor and Controller
- Seat 3 Don Steuer, Assistant Chief Administrative Officer, Board of Supervisors Rep.
- Seat 4 *Absent*: Lora Duzyk, County Superintendent of Schools Representative
- Seat 5 *Absent*: Jenny Salkeld, Colleges/School Representative
- Seat 6 Andre Douzdjian, SANDAG (Non-voting)
- Seat 7 Benjamin Dillingham III, CHAIR, Public Member
- Seat 8 *Absent*: Thomas LaHay, Public Member
- Seat 9 Charlie Ng, Public Member
- Seat 10 *Absent*: Leslie Deese, Public Member
- Seat 11 Mark Fisher, Public Member

County Staff:

- Rob Castetter, Chief Investment Officer, Treasurer-Tax Collector
- Antoinette Chandler, Chief Deputy Treasurer, Treasurer-Tax Collector
- Walter de Lorrell III, Senior Deputy, County Counsel
- Israel Garza, Accounting Manager, Treasurer-Tax Collector
- Hank Kim, Investment Officer, Treasurer-Tax Collector
- Richard Kinzly, Investment Officer, Treasurer-Tax Collector
- Cameron Urquhart, Investment Officer, Treasurer-Tax Collector

Guests:

- Kay Chandler, President, Chandler Asset Management
- Nathan Moeder, Principal, the London Group Realty Advisors
- Kevin Starkey, Macias Gini & O'Connell LLP

Public:

No public attendees

1. Call Meeting to Order

Ben Dillingham, Committee Chair, called the meeting to order at 1:30 PM in Conference Room 162-West of the County Administration Center.

2. Request by Public to Address the Treasury Oversight Committee on any Matter within the Committee's Jurisdiction

No members of the public were present.

3. Approval of July 15, 2015 Meeting Minutes

The October 15, 2015 meeting minutes were reviewed.

ACTION: Dan McAllister made a motion to approve the minutes. Don Steuer seconded the motion. The meeting minutes were approved by a 6-0 vote.

4. Introduction of New Committee Member

Mr. McAllister introduced Mark Fisher to the committee. He currently serves as the Chief Financial Officer to the Roman Catholic Diocese of San Diego. Mr. Fisher gave a brief summary of his education and experience.

5. Economic Update

Nathan Moeder of the London Group Realty Advisors presented his economic outlook for 2016 and beyond from the viewpoint of the realty industry. In his overview of commercial markets, Mr. Moeder stated that a steady demand for industrial space is causing a slight increase in rental rates, especially in North County, where lots of incubators, such as breweries and other small businesses are popping up. It is estimated that the San Diego population will increase by one million persons by the year 2050, which will result in the need for 9,000 new homes per year. Apartments are the most desirable investment at the moment due to low vacancy rates. Most of the growth will take place in the multifamily housing area. Mr. Moeder sees a continuing trend in pension fund is investing in apartments because of increasing rates and the demand for U.S. properties by international investors. Mr. Moeder suggested there will be a shortage of 43,000 to 119,000 single family homes. Affordable homes for six-figure incomes are a possibility in coming years. Some potential challenges to growth in San Diego are the changing character of neighborhoods, the scarcity of vacant land, and lengthy entitlement processes.

6. Year-End Audit

Kevin Starkey of Macias Gini & O'Connell LLP reported that the audit of the County Investment Pool was finalized in November 2015 and a clean report was issued. There were no findings related to compliance or internal controls during the audit. Mr. Starkey thanked Israel Garza and the Treasury staff for their assistance with the audit process. Interim work will begin in late June and then the year-end work will commence in September. The County Investment Pool received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending June 30, 2015.

7. Portfolio Statistics & Strategy Update

Rob Castetter, Chief Investment Officer, reviewed the portfolio statistics from the monthly report for March 2016. Mr. Castetter noted that compared to last year at this time the current book value is up by \$1.5 billion. Yield to maturity increased from .50% to .76%. Weighted Average Maturity is shorter than last year but the pool is in a good position should interest rates rise in 2016. The investment pool is projected to reach a new high of \$10 billion this year. The investment team will continue to strive for the AAf rating. Investment in Supranationals is up 5% from last year. Kay Chandler of Chandler Asset Management explained the purpose and primary principles of the long term fund (Pool B) to the committee.

8. Treasurer Updates

a) County Investment Team Introductions (Dan McAllister, Treasurer-Tax Collector)

The now fully staffed County investment team was introduced.

b) 2016 Client Coverage Model (Antoinette Chandler, Chief Deputy Treasurer)

A client coverage model is being developed to better serve the 180 clients that make up the County investment pool. Rob Castetter is the primary point of contact, with an equal number of clients who will be covered amongst the three investment officers. The goal is to keep open communication through annual offsite reviews and regular distribution of written materials, such as our quarterly Market Watch.

c) Pool Participant Client Survey (Antoinette Chandler, Chief Deputy Treasurer)

In an effort to provide better customer service, the team is developing a client survey to better understand and respond to our clients' needs.

d) 2016 Educational Symposiums (Dan McAllister, Treasurer-Tax Collector)

Mr. McAllister mentioned the Fraud Prevention Seminar coming up on July 29 and the Debt Symposium on November 4. He encouraged all committee members to attend.

9. Adjournment - 2:45 PM

Mr. Dillingham thanked members of the presenters, staff members, and committee members for attending and County of San Diego staff for their outstanding work.