



TREASURER-TAX COLLECTOR SAN DIEGO COUNTY

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Dan McAllister
Treasurer-Tax Collector



TREASURY OVERSIGHT COMMITTEE

APRIL 20, 2022

Voting Members Present:

- Seat 1 Dan McAllister, County Treasurer, Ex-officio
- Seat 2 Tracy Drager, County Auditor-Controller, Ex-officio
- Seat 3 Ebony Shelton, Deputy Chief Administrative Officer/Chief Financial Officer, Board of Supervisors Representative
- Seat 4 *Absent* Michael Simonson, San Diego County Office of Education, County Superintendent of Schools Representative, Ex-officio
- Seat 5 Bonnie A. Dowd, San Diego Community College District, Community Colleges/Schools Representative
- Seat 6 Andre Douzdjian, SANDAG, Special District Representative
- Seat 7 Gabriel Wisdom, American Money Management, LLC, Public Member (Public Finance expertise)
- Seat 8 Colleen Harvey, Karl Strauss, CHAIR, Public Member (Public Finance expertise)
- Seat 9 Maria Kachadoorian, City of Chula Vista, Public Member (City Representative)

County Staff:

Cameron Urquhart, Investment Officer, Treasury & Investment Division
Hank Kim, Chief Investment Officer, Treasury & Investment Division
Kevin Foley, Investment Officer, Treasury & Investment Division
Lauren Warrem, Chief Deputy Treasurer, Treasury & Investment Division
Lisa Kondrat-Dauphin, Treasury Manager, Treasury & Investment Division
Myrna Zambrano, Assistant Treasurer-Tax Collector
Rachel Witt, Chief Deputy County Counsel
RC Kinzly, Investment Officer, Treasury & Investment Division
Tim Henry, Principal Accountant, Treasury & Investment Division

Guests:

Eric Xin, Brown Armstrong Accountancy Corporation
Jayson Schmitt, Chandler Asset Management
Mia Corral, Chandler Asset Management

Public:

No public attendees

1. Call Meeting to Order

Colleen Harvey, Committee Chair, called the virtual meeting to order at 1:30 PM on Microsoft Teams.

2. Requests by Public to Address the Treasury Oversight Committee (TOC) on any Matter within the Committee's Jurisdiction

No members of the public were present.

3. Approval of October 21, 2021 & January 12, 2022, Meeting Minutes

The October 21, 2021, meeting and January 12, 2022, special meeting minutes were reviewed and approved by the Committee.

ACTION: Ebony Shelton made a motion to approve, and Dan McAllister seconded the motion. The motion passed unanimously by a vote of 8-0.

4. AB 361 – Teleconferenced Meetings Pursuant to Government Code section 54953(e)(3):

AB 361 allows the Committee to meet virtually under simplified noticing procedures when certain circumstances exist. These provisions were in place until January 1, 2021, and long as the state of emergency continues to exist, and local officials continue to recommend social distancing. To continue meeting under these rules, County staff is asking the Committee to ratify the Chair's prior AB361 determinations to find that the state of emergency still exists, and local officials still recommend social distancing and authorize the Chair to review and make new findings every 30 days as applicable.

On Motion by Dan McAllister, seconded by Ebony Shelton, the Committee found the state of emergency still exists and that local officials continue to recommend measures to promote social distancing and directed the Chair to review the determination at least every 30 days until the Committee meets next. The motion was approved unanimously with all members present voting Yes.

ACTION: Dan McAllister made a motion to approve, and Ebony Shelton seconded the motion. The motion passed unanimously by a vote of 8-0.

5. Fiscal year 2021 Audited Annual Comprehensive Financial Report and Other Required Communication

Eric Xin of Brown, Audit Partner with Armstrong Accountancy Corporation, presented final results for the 2020-21 fiscal year-end. Mr. Xin thanked Treasury management and staff for their hard work and support. He then briefly explained the audit process. They did not propose any significant audit adjustments and audit testing resulted in no audit findings. There were three different audit reports issued:

- Independent Auditors Report over the Financial Statements, which resulted in an

- unmodified opinion, or clean opinion.
- Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; they granted an unmodified opinion with no audit findings over internal controls or compliance.
- Independent Auditor's Report on Compliance with California Government Code Section 27134, 53601, and 53635; resulted in an unmodified opinion with no findings over investment pool compliance.

The investment Pool adopted GASB 98, the Annual Comprehensive Financial Report, during the fiscal year ended June 30, 2021. There were no misstatements identified during the audit and they did not propose any audit adjustments. There were no disagreements with management, and they did not consult with other accountants during the audit process. They did not detect any fraud or abuse issues relating to County Treasury employees or management.

6. Economic Update

Jayson Schmitt from Chandler Asset Management provided an update on the economy and the financial markets. The Russian invasion into Ukraine and resulting Western sanctions on Russia have fueled volatility in global markets and has exacerbated inflationary pressure, particularly in energy and commodities. While consumer spending and economic growth remain strong, the risks of an economic slowdown have increased. While the Federal Reserve has no choice but to tighten monetary policy, the FOMC has very little margin for error as it attempts to combat inflation without pushing the economy into a recession. Over the near term, financial market volatility will remain elevated, and conditions will remain tighter given the heightened geopolitical risk, supply chain bottlenecks and persistent inflation.

7. 2022 Investment Policy Amendment Update

Hank Kim, Chief Investment Officer, provided an update on the 2022 Investment Policy amendment. A special Treasury Oversight Committee meeting was held on January 12, 2022, to review the proposed amendment to the 2022 Investment Policy. The proposed amendment added more specific language to the Environmental, Social, and Governance (ESG) statement by including language prohibiting the investment in fossil fuel companies. The divestment options for the \$5 million position in Exxon Mobil were also discussed. The investment staff exited the \$5 million Exxon Mobil position on 2/4/2022 with a net loss of \$1,851. The Pool does not hold any other investments in fossil fuel companies. The amended Policy was presented to the Board on 3/1/2022 and was approved on consent, with no dissenting votes.

8. Portfolio Review

Richard Kinzly, Investment Officer, gave a status update on the County's investment pool. Book value was \$13.3 billion on February 28, 2022, a \$2.2 billion dollar increase in book value year-over-year. Primary drivers of this increase were school bond proceeds, federal funding for COVID-19 and increase in tax rolls. The yield to maturity was 0.67% on February 28, 2022, which was a 21 bps decrease year-over-year. The low interest rate environment and historically low credit spreads were the primary drivers for the decrease in yields. Going forward, the pool yield is expected to increase given the recent increase in market rates driven

by FOMC increases. The Weighted Average Maturity (WAM) of the portfolio was 573 days on February 28, 2022. The range in 2021 was 498 days to 675 days.

9. Treasurer's Updates

April 11 was the due date for the second installment of Property taxes. We have collected 97.7% of taxes that are owed this year, which is a 1% increase over last year. We recently held the well-attended Investments and Financial Management symposium on March 4. We have two more symposiums this year. The Fraud Prevention and Ethics symposium is scheduled for July 28, 2022. The Local Agency Debt Symposium will be held on November 3.

Chief Deputy Treasurer Lauren Warrem gave a status update on the County's new Paying Agent model. Working with our Department of Purchasing and Contracting, we held an RFP process. A custodian bank was selected, and implementation is expected to take about two months.

10. Adjournment

The meeting adjourned at 2:32 p.m.

Minutes taken by Donna Gehlken, Administrative Secretary