



TREASURER-TAX COLLECTOR SAN DIEGO COUNTY

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Dan McAllister
Treasurer-Tax Collector



TREASURY OVERSIGHT COMMITTEE

June 7, 2023

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 Michael Simonson, San Diego County Office of Education, County Superintendent of Schools Representative, Ex-officio
- Seat 5 *Absent*: Dr. Kelly Hall, 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:

Myrna Zambrano, Assistant Treasurer-Tax Collector
Lauren Warrem, Chief Deputy Treasurer, Treasury & Investment Division
Kevin Foley, Investment Officer, Treasury & Investment Division
RC Kinzly, Investment Officer, Treasury & Investment Division
Lisa Kondrat-Dauphin, Treasury Manager, Treasury & Investment Division
Liliana Montes, Assistant-Treasury Manager, Treasury & Investment Division
Sander Franken, Principal Accountant, Treasury & Investment Division
Kristine Gachalian, Investment Analyst, Treasury & Investment Division
Walter De Lorrell, Chief Deputy County Counsel
Laura Dolan, Sr. Deputy County Counsel
Leilani Rodriguez, Administrative Secretary II

Guests:

Alaina Vandermade, Brown Armstrong Accountancy Corporation
Jayson Schmitt, Chandler Asset Management

Public:

No public attendees

1. Call Meeting to Order

Colleen Harvey, Committee Chair, called the meeting to order at 2:01 PM in Room 302 in the County Administration Center (CAC).

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 19, 2022, Meeting Minutes

The October 19, 2022, meeting was reviewed and approved by the Committee.

ACTION: Ebony made a motion to approve, and Dan seconded the motion. The minutes were approved by an 8-0 vote.

4. Fiscal Year 2021-22 Audit and Annual Comprehensive Financial Report and Other Required Communication

Alaina Vandermande, Audit Manager with Brown Armstrong Accountancy Corporation, presented the annual audit of the San Diego County Investment Pool for fiscal year end June 30, 2022. She explained the audit process and reports issued.

The 3 audit reports issued:

- Independent Auditor's Report on Financial Statements, which resulted in an unmodified clean opinion.
- Independent Auditor's Report on Compliance with California Government Code Section 27134, 53601, and 53635; resulted in an unmodified clean opinion.
- Required Communication to Those Charged with Governance in Accordance with Professional Standards, there were no new accounting policies or pronouncements that were implemented as of June 30, 2022. The auditors did not note any transactions that were entered into that lacked authoritative guidance or consensus. All significant transactions have been recognized in the financial statements for the proper period. Financial statements disclosures are neutral, consistent, and clear. No significant difficulties in dealing with management in performing the audit. There were no corrected or uncorrected misstatements during the audit.

For the upcoming annual audit for fiscal year 2023, Brown Armstrong will continue to be the external auditor.

5. Economic Update

Jason Schmitt, CFA, Co-Chief Investment Officer at Chandler Asset Management provided an update on economy and outlook for interest rates. The economy is still growing at a slower pace. We continue to see strong labor growth but again see some of those inflationary pressures. Federal reserve raised the rate to 5.25% and the expectation is that the Federal Reserve is not likely to raise interest rates at its next meeting on June 14th. As of April, Treasury note is 4% and now it's around 4 ½%. For employment, U.S. economy added 253,000 jobs in April and now it's 339,000 jobs. Housing prices rose by 20% during the pandemic. In March 2023, the housing prices declined displaying an impact of higher mortgage rates, which

reduced demand for homebuying as affordability has declined. In comparison between local counties with unemployment rate and vacancy rates, San Diego is doing well.

6. Portfolio Review

Richard Kinzly, Investment Officer, presented the key portfolio metrics as of April 30, 2023. Book value was \$16.9 billion, a \$2.1 billion dollar increase in book value year-over-year. Primary drivers of this increase were school bond proceeds, tax roll increase, and federal funding for COVID-19. The pool reached a new peak of \$17.2 billion right after the April tax collections versus the previous high of \$15.9 billion in December 2022. As of April 30th, yield to maturity is 3.5%, up to 265 basis point year-over-year. Pool yield will continue to rise as we re-invest at higher rates. The Weighted Average Maturity (WAM) of the portfolio was 442 days as of April 30, 2023.

7. Treasury Operations Manual Update

Kevin Foley, Investment Officer, presented updates to the Treasury Operations Manual (TOM) regarding Broker and Direct Issuer approval process. Previously, Brokers were approved by an internal process known as a Request for Information (RFI). The process was changed to Request for Statement of Qualifications (RFSQ) conducted via the Department of Purchasing and Contracting (DPC) and is conducted every 3 years. The advantages of this new process included achieving greater transparency as well as reducing the workload on the Investment team. The manual has also been updated for Direct Issuers. Previously, Direct Issuers were approved on the same three-year cycle as Brokers. Now Direct Issuers can be approved on an ongoing basis. This change will benefit the County as trading with Direct Issuers can often result in better communication and higher yields.

8. October 2023 TOC Meeting Date

The next proposed meeting is October 11, 2023 at the County Administration Center (CAC). Please advise us of any conflicts with the meeting date.

9. Treasurer's Updates

Presented by Dan McAllister, Treasurer

- Treasury staff presented to Fitch for their annual review on June 1st. We don't have the report back yet but for the past 23 years, we've had AAA ratings and confident it will continue.
- This year we saw 99% collection rates for the 8th year in a row. More people are moving to electronic payments. We collected \$7.5 billion property taxes this year.
- On July 27th, we will be hosting another Investment Symposium.

Presented by Lauren Warrem, Chief Deputy Treasurer

- The new paying agent model for all school debt service payments is complete. After a competitive selection process, we awarded the contract to US Bank. The County staff is involved in reviewing to ensure accuracy, timeliness, and completeness of all debt service payments. This created efficiencies for County staff and cost savings for all schools.

- The County Investment Pool issues an Annual Comprehensive Financial Report (ACFR) and submitted for the GFOA Award for Excellence and Financial Reporting. We expect to hear positive news soon about receiving that award again.
- In the last meeting, we informed you that we initiated the next banking services procurement process. We have reviewed the process requirements internally and with the other County departments. We expect to submit the Request for Proposal to Department of Purchasing and Contracting (DPC) within the next 2 weeks.

10. Adjournment

The meeting adjourned at 2:59 p.m.

Minutes taken by Kristine Gachalian, Investment Analyst