



TREASURER-TAX COLLECTOR SAN DIEGO COUNTY

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Dan McAllister
Treasurer-Tax Collector



TREASURY OVERSIGHT COMMITTEE

MEETING MINUTES

October 20, 2021

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, County Superintendent of Schools Representative, Ex-officio
- Seat 5 Vacant, 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 and Investment Division
Hank Kim, Chief Investment Officer, Treasury and Investment Division
Kevin Foley, Investment Officer, Treasury and Investment Division
Lauren Warrem, Chief Deputy Treasurer, Treasury and Investment Division
Lisa Kondrat-Dauphin, Treasury Manager, Treasury and Investment Division
Myrna Zambrano, Assistant Treasurer-Tax Collector
Rachel Witt, Chief Deputy County Counsel
Richard Kinzly, Investment Officer, Treasury and Investment Division

Guests:

Alaina Vandermade, Brown Armstrong Certified Public Accountants
Chris Ahrens – Chief Strategist, Stifel Fixed Income Capital Markets
Eric Xin, Brown Armstrong Certified Public Accountants
Genny Lynkiewicz, Chandler Asset Management
Jayson Schmitt, Chandler Asset Management
Mia Corral, Chandler Asset Management
William Blackwill, Stifel Fixed Income Capital Markets

Public:

No public attendees

1. Call Meeting to Order

Dan McAllister, Committee Chair Pro Tem, called the virtual meeting to order at 1:30 PM on Microsoft Teams.

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 April 21, 2021, Meeting Minutes

The April 21, 2021 meeting minutes were reviewed and approved by the Committee.

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

4. Audit Update 2020-21 Fiscal Year-End

Alaina Vandermade and Eric Xin of Brown Armstrong were present to discuss the 2020-21 fiscal year-end audit. Ms. Vandermade reported that there are no audit findings at this time and that their intention is to issue a clean or unmodified opinion. The annual report will be finalized in early November.

5. Economic Update

Chris Ahrens, Senior Strategist at Stifel Fixed Income Capital Markets, presented his take on the economy and the markets. The Labor force participation is weak, despite the fact that there are jobs available. Baby Boomers are retiring at a rapid rate. Inflation is expected to increase in the next year but is expected to decrease over the next 5 to 10 years.

6. 2022 Investment Policy Statement Review

Cameron Urquhart, County of San Diego Investment Officer, presented the proposed updates to the County's 2022 Investment Policy to the Committee for review to be placed before the Board of Supervisors for approval on December 7, 2021 and implementation on January 1, 2022.

The key changes to the 2022 Investment Policy are as follows:

1. Add section stating that prudent investor standard is to be used by the County Treasurer as a fiduciary of public funds.
2. Add section regarding Environmental, Social, and Governance (ESG) considerations.
3. Per changes to the California Government Code, allow for the purchase of U.S. government and agency securities that could yield zero or negative interest during a period of negative market rates.
4. Add Farmer Mac to list of approved U.S. government agency issuers, which is an allowable investment per the California Government Code.

5. Create a separate Local Government Investment Pool (LGIP) category for LAIF, the state-run investment pool, which is unrated but is an allowable investment per the California Government Code and the County's Investment Policy.
6. Replace cashflow forecast language in monthly reporting requirements with a statement denoting whether the fund will meet expenditure requirements, to align with California Government Code.

7. Strategy Update and Portfolio Review

Hank Kim, Chief Investment Officer, gave a status update on the County's investment pool. Book value was \$10.6 billion on August 31, 2021, a \$1 billion dollar increase in book value year-over-year. Primary drivers of this increase were bond proceeds and federal funding for COVID-19. The pool peaked at \$13.2 billion dollars in April 2021, which was an all-time record.

8. Teleconferenced Meetings under AB 361

Rachel Witt, Chief Deputy County Counsel, gave a brief update on the State of California's Open Meeting Law (the Brown Act) as a result of the passage of AB361. As a Brown Act body, the Treasury Oversight Committee is required to comply with the rules of the Brown Act.

9. 2022 Meeting Schedule

Meetings in 2022 will take place on April 20, and October 19. Please advise Donna Gehlken of any conflicts you may have with the meeting dates.

10. Treasurer's Updates

- Fitch ratings reaffirmed the County Investment Pool's AAAsf/S1 rating earlier this month. This is the highest possible rating from Fitch, and reflects the pool's high-quality assets, as well as low risk. The pool has maintained this rating for the past 22 years.
- The Debt Symposium is coming up on Thursday, November 4, 2021. All are encouraged to attend.
- Seat 5 is currently vacant with the departure of Gregory Ottinger, and the County Clerk's Office will be making a public announcement to seek candidates shortly.
- The County acts as paying agent for making debt service payments of principal and interest for the local schools. We received an update in April 2021 on a new debt paying agent model to increase both efficiencies and cost savings for the County and the schools. In performing our research, we found that most California counties and all the large counties use a trustee bank to manage debt service payments. We have issued a competitive request for proposals and are currently reviewing the proposals received. We are looking to make a selection and complete negotiations before the end of this year.
- Another project that we're working on with the purchasing department is the selection of a pool of investment brokers, which the investment policy requires every 3 years. Our expectation is to issue a request for specifications and qualifications in January 2022.

- With the onset of Covid, we successfully moved Treasury operations to a full-time teleworking schedule in March 2020. Plans are to continue to work remotely in the long-term as encouraged by the County for our Treasury Division. Teleworking has been quite productive for our team, and we have been able to successfully transition to a new custodian bank, as well as a new investment advisor in the past year.

The meeting adjourned at 2:50 p.m.

Minutes taken by Donna Gehlken, Administrative Secretary