

SAN MATEO COUNTY
TREASURY OVERSIGHT COMMITTEE

MINUTES

January 28, 2019

1. CALL TO ORDER

The meeting was called to order at 12:02 p.m. by Daneca Halvorson.

2. ROLL CALL

Members and guests were asked to introduce themselves during roll call.

MEMBERS IN ATTENDANCE

Daneca Halvorson (Treasurer, City of Daly City) **Chair**
Sandie Arnott (Treasurer-Tax Collector)
Stephanie Osaze (Finance Manager, Bay Area Air Quality Management District)
Margie Gustafson (Administrator, County Office of Education)
Robert Manchia (Budget Director, County Manager's Office)

MEMBERS ABSENT

Helen Fisicaro (Town of Colma)

STAFF IN ATTENDANCE

Charles Tovstein (Chief Investment Officer)
Tiffany Htwe (Financial Services Manager II)
Gina M. Luiz (Executive Assistant)

MEMBERS OF THE PUBLIC IN ATTENDANCE

Richard Babbe (PFM)

3. APPROVAL OF MINUTES – October 22, 2018

Robert Manchia made a motion to approve minutes from the October 22, 2018 meeting, seconded by Margie Gustafson. Meeting minutes were approved unanimously.

4. ECONOMIC REPORT – Richard Babbe (PFM)

Richard Babbe presented an overview of the economy and market. The predominant thought is we will not have a recession in 2019. As for the year 2020 a recession would depend upon how issues such as trade wars, global concerns, political uncertainty in the United States, and consumer sentiment shift during the next year. As an advisor he is remaining conservative as it is uncertain how things will continue to develop. At the end of 2018 U.S. equities plummeted. U.S. equities were at an all-time high on September 20, however, they were overall down 20% during 2018. The yield spread indicates the market is less interested in taking risks so they're requiring higher yields to buy corporate securities. This trend indicates the market is uncertain.

Mr. Babbe stated there was strong growth in 2018 and consumer confidence remains high. The U.S. unemployment rate was 3.9% in December and 2% in November for San Mateo County. The economy is slowing, but a recession is not expected. Currently, there are more job openings than there are people unemployed indicating the job market is good. Stephanie Osaze asked what

sectors are seeing an increase in hiring. Mr. Babbe responded there is an increasing need for higher education driven jobs, yet not enough job candidates to fill those positions. As a result, the workforce is not keeping up with the demand.

In addition, interest rates are driving up mortgage rates and it is influencing buying decisions. Increased rates have slowed down housing sales. Overall, consumer debt is higher than it was pre-financial crisis. The ratio of household debt to GDP and disposable income is at a reasonable level. He concluded if there is a slowdown in the economy then those numbers will quickly change.

5. CIO Report – Charles Tovstein

5.1 Investment Report

Charles Tovstein reported the gross earnings for the quarter ending December 31, 2018 were 2.23%, and the par value of the pool is approximately \$5.7 billion. Mr. Tovstein advised the committee that he is being conservative in what he is buying and investing. He stated the total return numbers indicated we outperformed our index. He said debt issuance will force rates to increase and he is expecting a rate increase in March and possibly during the summer. He said the pool was \$6 billion in December during peak tax season. Mr. Tovstein also noted we continue to be in compliance with PFM.

6. TREASURERS REPORT – Sandie Arnott

6.1 2019 Investment Policy

Attendees were provided a hard copy of the 2019 Investment Policy. The 2019 Investment Policy and Delegation of Authority were approved by the Board of Supervisors on January 8, 2019. The 2019 Investment Policy is available on the San Mateo County Treasurer's website (<https://treasurer.smcgov.org/>), and it was distributed to all pool participants.

7. ORAL COMMUNICATION AND PUBLIC COMMENT

None

8. OTHER BUSINESS


None

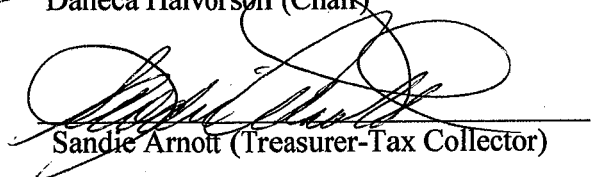
9. NEXT MEETING DATE

Monday, April 15, 2019

10. ADJOURNMENT

The meeting was adjourned at 12:29 p.m.


 Daneca Halvorson (Chair)


 Sandie Arnott (Treasurer-Tax Collector)