
INVESTMENT OVERSIGHT COMMITTEE

MINUTES OF CONFERENCE CALL

April 23, 2020 10 a.m.

Webex Conference Call

Members Present:

Don Kent	Executive Office
Jon Christensen	Treasurer-Tax Collector
Theresia Trevino	Riverside County Transportation Commission
Edwin Gomez	Riverside County Office of Education

Members Absent:

Elliot Duchon	Jurupa Unified School District
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Staff and Guests Present:

Giovane Pizano	Treasurer-Tax Collector
Michael Thomas	County Counsel
Esmeralda Oviedo	Economic Development Agency
Susana Garcia	Executive Office
Imelda Delos Santos	Executive Office
Jarvyk Punzalan	Executive Office
Valerie Arce	Executive Office

1. CALL TO ORDER

Don Kent noted the established quorum and called the meeting to order at 10:00 a.m.

2. APPROVAL OF MINUTES

The January 23, 2020 meeting minutes were reviewed and approved.

MOTION: Theresia Trevino moved to approve.

Jon Christensen seconded.

All were in favor. The motion approved unanimously.

3. MONTHLY DISCLOSURE REPORT ON INVESTMENT PORTFOLIO

Giovane Pizano reported that the portfolio is in good position, from both a liquidity standpoint and credit standpoint, to weather the economic storm. From the end of December to March the

size of the portfolio contracted by over \$900 million from \$8.2 billion to \$7.3 billion due to the normal cash cycle. The yield dropped 40 basis points from 1.86% to 1.46%. The WAM increased by 8 days from 1.01 to 1.19. During the same time, the Federal Open Market Committee (FOMC) met three times and voted to cut rates twice, once on March 3, 2020 by 50 basis points and again on March 5, 2020 by an additional 100 basis points for a total of 150 basis points. It injected historic liquidity into the market of approximately \$2.3 trillion. It has the capacity to inject up to \$4 trillion into the market. The liquidity was injected in the form of special purchasing of bonds in the open market. The Fed would buy securities in money market funds, commercial paper issuers, mortgages, repo lines for primary dealers and other direct lending facilities. As a result, and as expected, the Treasury rates dropped by around 140 basis points across the yield curve. For example, the three-month Treasury bill was yielding 1.54% on January 23, 2020 is now yielding 9 basis points as of this morning. The two-year Treasury note went from 1.51% to 21 basis points. In the same time frame, credit spreads widened considerably for fear of liquidity issues. Some of the programs put into place by the Federal Reserve Bank have reversed some of the concerns as indicated by tightening credit spreads. The portfolio is in a position to weather the storm without issues related to credits or liquidity.

Mr. Christensen asked Mr. Pizano to share his conversation with Fitch Ratings. Mr. Pizano shared that in March when conditions were bad in the market, Fitch Ratings noticed that some of the surrounding counties were seeking higher yields and Riverside County was doing the opposite. It commended Riverside County for doing so, rather than hoping for federal intervention to bail out from credit names being purchased in the market. It mentioned that Riverside County's portfolio was one, which was in a better position to weather the credit shock. There is an expectation that, once we start to quantify economic costs, there will be credit stress and a wave of credit downgrades. Fitch Ratings did not understand why others were seeking these credits.

Mr. Kent stated that the March report reflects all high-quality corporate companies including Microsoft, Apple and Johnson & Johnson. Mr. Christensen confirmed that a strong portfolio has been established to weather the storm.

4. INVESTMENT REPORTS OF FUNDS OUTSIDE THE COUNTY TREASURY

a) **CORAL:** Giovane Pizano reported no significant changes.

b) **LAND SECURED DISTRICTS:** Stephanie Persi reported no significant changes.

c) **SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY:** Imelda Delos Santos reported the total securities have increased by \$9 million from the last quarter report due to a debt service deposit in March. New to the report is the refunded 2020 Series D and E bonds which can be located on pages 38 and 39 of the report.

Mr. Kent shared that this is back to 2008-2009 levels and is expected. A drop is also expected for the next reporting period as well.

- d) **HOUSING AUTHORITY SUCCESSOR AGENCY:** Esmeralda Oviedo reported no significant changes

- e) **RIVERSIDE COUNTY DISTRICT COURT FINANCING CORPORATION:** Ms. Delos Santos reported no significant changes.

- f) **PENSION OBLIGATION BONDS:** Ms. Delos Santos reported a significant decrease due to a debt service payment on February 15, 2020.

- g) **RIVERSIDE PUBLIC FINANCING AUTHORITY:** Ms. Delos Santos reported no significant changes.

- h) **INFRASTRUCTURE FINANCING AUTHORITY:** Ms. Delos Santos reported no significant changes.

5. **PUBLIC COMMENT**

None.

6. **OTHER BUSINESS**

None.

7. **ADJOURNMENT**

The next IOC meeting is scheduled for Thursday, July 23, 2020 at 10:00 a.m. Don Kent adjourned the meeting at 10:19 a.m.