Children & Families
Commission of Orange County

Agenda Item No. 2
November 6, 2013 Meeting

DATE: October 28, 2013

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director

SUBJECT: Quarterly Investment Report

SUMMARY:
As required by California Government Code Section 53646, and the Commission's Investment Policy Statement dated May 1, 2013, the Commission Treasurer submits the Quarterly Investment Report (Attachment 1) to the Commission. The Report summarizes Commission investments in the Orange County Investment Pool (OCIP) Money Market Fund for the period July 1, 2013 through September 30, 2013. The Report also contains information on market conditions during the reporting period.

STRATEGIC PLAN & FISCAL SUMMARY:
The agenda item does not include a funding request.

PRIOR COMMISSION ACTIONS:
- May 2013 – Receive Orange County Treasurer Investment Policy Statement for 2013 and delegate investment authority to the Orange County Treasurer
- May 2012 – Receive Orange County Treasurer Investment Policy Statement for 2012 and delegate investment authority to the Orange County Treasurer

RECOMMENDED ACTION:
Receive Quarterly Investment Report

ATTACHMENT:
1. Quarterly/Year-End Investment Report: July 1, 2013 – September 30, 2013

Contact: Michael Garcell

Commissioners
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Children and Families Commission of Orange County
Quarterly/Year-End Investment Report
July 1, 2013 through September 30, 2013

OVERVIEW

Pursuant to the Commission's Investment Policy Statement dated May 1, 2013, the Treasurer submits this Quarterly Investment Report to the Commission. This Investment Report summarizes investment activities for the Commission for the three-month period from July 1 through September 30, 2013.

The Commission has invested 100% of its fund in the Orange County Investment Pool (OCIP). All funds are managed by the Office of the Orange County Treasurer.

Orange County Investment Pool

The primary goal of the OCIP is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return. The Commission's investment in the OCIP as of September 30, 2013 totaled $70,717,428.84.

PORTFOLIO PERFORMANCE SUMMARY – QUARTERLY

The following table presents an overview of the OCIP for the months of July, August and September 2013.

Month Ended	Commission's Month End Balance	Commission's Monthly Gross Yield	OCIP Market Value	OCIP Book Value	Average Days to Maturity
July	$71,475,503	0.37%	$2,908,669,373	$2,910,087,940	390 days
August	$70,465,180	0.34%	$2,895,609,608	$2,898,384,082	396 days
September	$70,717,429	0.35%	$2,877,037,498	$2,876,671,951	400 days

ECONOMIC UPDATE

From July through September, U.S. economic data continued modest economic growth. The job market added a revised 104,000 new jobs in July, a revised 193,000 in August and 148,000 in September. The unemployment rate started the quarter at 7.4% in July, declined to 7.3% in August, and at the end of the quarter declined to 7.2%, the lowest level since November 2008. With respect to vehicle sales, the seasonally adjusted annualized selling rate for vehicles increased to a six year high of 16.02 million during the third quarter. Sales of vehicles, appliances and other household goods supported the manufacturing industry as the Institute for Supply Management's index rose to 56.2 in September from 50.9 at the end of second quarter. According to the S&P/CaseShiller home pricing index, the housing market continued to improve as home prices increased for the fourteenth consecutive month in July, up 12.4% from a year ago.

The Federal Reserve met twice during the quarter and voted to continue its support for stronger economic growth by purchasing $40 billion per month in agency mortgage-backed securities and $45 billion per month in longer-term Treasury securities.

Rates on short-term treasuries remain low as investors expect the Federal Reserve to continue its monetary policy for the near future. However, rates on longer-term securities have increased slightly due to steady improvement in the U.S. economic growth. The 10-year Treasury ended the quarter at 2.61%, up from 2.49% at the end of the previous quarter.

U.S. Treasury Yield Curve: Treasury yields decreased except for the 10-year and 30-year maturities.

	Quarter Ended September 30, 2013	Quarter Ended June 30, 2013
3-Month	0.01%	0.03%
2-Year	0.32%	0.36%
5-Year	1.38%	1.39%
10-Year	2.61%	2.49%
30-Year	3.69%	3.50%

Source: Bloomberg World Markets

COMPLIANCE MONITORING

The investment portfolios had no compliance exceptions for the three months ending September 2013. Two reports were issued during the quarter. Of the two reports issued, there were three findings where compliance and internal control over compliance could be improved however none of these findings were considered material weaknesses or significant deficiencies. In July, The Internal Audit Department issued the Annual Audit of Treasurer's Investment Compliance For the Year Ended December 31, 2011, and found that the Treasurer-Tax Collector complied in all material respects with the noted California Government Code and Investment Policy Statement requirements. The audit noted three findings where internal controls over compliance could be improved with one of the findings implemented as of the date of their report. The Treasurer-Tax Collector is in the process of implementing the remaining two recommendations. In September, the Auditor- Controller Internal Audit unit issued their Report on Audit of the Statement of Assets Held by the County Treasury as of December 31, 2012 and related Independent Auditor's Report. They opined that the Statement of Assets Held by the County Treasury presents fairly, in all material respects, the amount and type of assets in the County Treasury as of December 31, 2012, on the basis of accounting described in the notes to the financial statement. In addition, the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance did not identify any deficiencies in internal control over financial reporting that they consider to be material weaknesses, and the results of their tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Accounting Standards*.

SUMMARY STATEMENTS

Attached for further information and reference is the OCIP Statement of Activity for the months of July, August and September 2013.

A. Statement of Activity: This Statement reports the beginning and ending balances of the Commission's funds invested in the OCIP. All deposits, withdrawals, investment earnings, and administrative fees for the reporting period are also posted. The Commission's month end balances for July, August and September were $71,475,502.89, $70,465,180.37, and $70,717,428.84 respectively. The estimated treasury administrative fee is 8.2 basis points, and the year to date net yield as of September 30, 2013 is 0.27%.

Attachments:

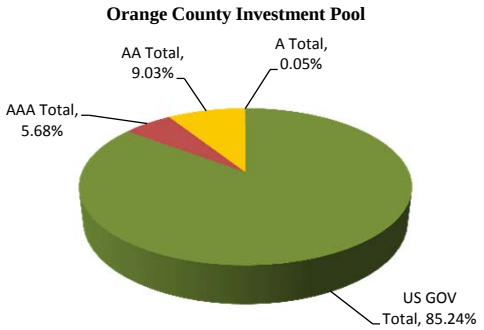
A. Orange County Investment Pool Summary
B. Statement of Activity for the months of July, August and September 2013

ORANGE COUNTY TREASURER-TAX COLLECTOR
ORANGE COUNTY INVESTMENT POOL
INVESTMENT POOL SUMMARY
AT SEPTEMBER 30, 2013

PORTFOLIO COMPOSITION

Security Type	Market Value	Book Value	Unrealized Gain(Loss)	% of Market Value
CERTIFICATES OF DEPOSIT	$ 103,996,268	$ 104,000,000	$ (3,732)	3.62%
U.S. GOVERNMENT AGENCIES	2,228,971,971	2,228,829,955	142,016	77.47%
MONEY MARKET FUNDS	123,277,739	123,277,739	-	4.28%
MEDIUM - TERM NOTES	197,303,404	197,283,521	19,883	6.86%
U.S. TREASURIES	223,488,116	223,280,735	207,381	7.77%
TOTAL	$ 2,877,037,498	$ 2,876,671,950	$ 365,547	100.00%

CREDIT QUALITY BY MARKET VALUE



US GOV Includes Agency & Treasury Debt
AA Includes AA+, AA- & AA
A Includes A+,A- & A
A-1 Includes A-1+, F-1+, P-1, A-1 & F-1

SUMMARY OF INVESTMENT DATA

INVESTMENT TRENDS

	SEPTEMBER 2013	AUGUST 2013	INCREASE (DECREASE)	NET CHANGE %	SEPTEMBER 2012	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool							
End Of Month Market Value[1]	$ 2,877,037,498	$ 2,895,609,608	(18,572,110)	-0.64%	$ 2,892,837,359	$ (15,799,861)	-0.55%
End Of Month Book Value	$ 2,876,671,951	$ 2,898,384,082	(21,712,131)	-0.75%	$ 2,888,063,592	$ (11,391,641)	-0.39%
Monthly Average Balance	$ 2,887,736,584	$ 2,885,550,385	2,186,199	0.08%	$ 2,899,142,278	$ (11,405,694)	-0.39%
Year-To-Date Average Balance	$ 2,937,329,930	$ 2,962,126,603	(24,796,673)	-0.84%	$ 2,938,226,057	$ (896,127)	-0.03%
Monthly Accrued Earnings[2]	$ 837,733	$ 836,080	1,653	0.20%	$ 1,181,913	$ (344,180)	-29.12%
Monthly Net Yield[2]	0.27%	0.26%	0.01%	4.21%	0.41%	-0.14%	-33.89%
Year-To-Date Net Yield[2]	0.27%	0.27%	0.00%	1.30%	0.42%	-0.15%	-34.88%
Annual Estimated Gross Yield[3]	0.37%	0.37%	0.00%	0.00%	0.40%	-0.03%	-7.50%
Weighted Average Maturity (WAM)[4]	400	396	4	1.01%	334	66	19.76%

[1] Market values provided by Bloomberg and Northern Trust.
[2] In September 2012, OCIP held higher yielding securities, which over time have matured and were reinvested in lower yielding securities. As a result, the overall earnings and yield have dropped since September 2012.
[3] Annual Estimated Gross Yield for September 2012 is reported at the actual annual gross yield for FY 12/13.
[4] In September 2013, OCIP WAM was higher than September 2012 primarily due to investing in securities with longer maturities.

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ocgov.com/ocinvestments
July 31, 2013

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION
Attn: Christina Altmayer, Executive Director
17320 Redhill Avenue, #200
Irvine, CA 92614

Monthly Apportionment Gross Yield:	0.373%
Administration Fee:	-0.082%
Monthly Apportionment Net Yield:	0.291%

Fund Number : 225

JULY 2013 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
07/01/13	June 2013 Admin Fee	AF		$	(4,791.23)
07/16/13	June 2013 Interest	IN		$	19,869.27

Summary

Total Deposit:	$	2,562,319.91	Beginning Balance:	$	69,449,271.03
Total Withdrawal:	$	(536,088.05)	Ending Balance:	$	71,475,502.89

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
07/16/13	June 2013 Interest	IN		$	(19,869.27)
08/01/13	July 2013 Interest	IN		$	22,601.54

Summary

Total Accrual:	$	22,601.54	Beginning Balance:	$	19,869.27
Total Payment:	$	(19,869.27)	Ending Balance:	$	22,601.54

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August 31, 2013

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION
Attn: Christina Altmayer, Executive Director
17320 Redhill Avenue, #200
Irvine, CA 92614

Monthly Apportionment Gross Yield:	0.339%
Administration Fee:	-0.082%
Monthly Apportionment Net Yield:	0.257%

Fund Number : 225

AUGUST 2013 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
08/01/12	July 2013 Admin Fee	AF		$	(4,967.15)
08/12/13	July 2013 Interest	IN		$	22,601.54

Summary

Total Deposit:	$	72,202,145.59	Beginning Balance:	$	71,475,502.89
Total Withdrawal:	$	(73,212,468.11)	Ending Balance:	$	70,465,180.37

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
08/12/13	July 2013 Interest	IN		$	(22,601.54)
09/03/13	August 2013 Interest	IN		$	21,145.61

Summary

Total Accrual:	$	21,145.61	Beginning Balance:	$	22,601.54
Total Payment:	$	(22,601.54)	Ending Balance:	$	21,145.61

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September 30, 2013

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION
Attn: Christina Altmayer, Executive Director
17320 Redhill Avenue, #200
Irvine, CA 92614

Monthly Apportionment Gross Yield:	0.353%
Administration Fee:	-0.082%
Monthly Apportionment Net Yield:	0.271%

Fund Number : 225

SEPTEMBER 2013 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
09/02/13	August 2013 Admin Fee	AF		$	(5,111.02)
09/18/13	August 2013 Interest	IN		$	21,145.61

Summary

Total Deposit:	$	2,552,469.85	Beginning Balance:	$	70,465,180.37
Total Withdrawal:	$	(2,300,221.38)	Ending Balance:	$	70,717,428.84

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
09/18/13	August 2013 Interest	IN		$	(21,145.61)
10/01/13	September 2013 Interest	IN		$	20,618.40

Summary

Total Accrual:	$	20,618.40	Beginning Balance:	$	21,145.61
Total Payment:	$	(21,145.61)	Ending Balance:	$	20,618.40