Agenda Item 4
September 3, 2014

DATE: August 23, 2014

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 Children and Families Commission's Investment Policy Statement dated May 7, 2014, 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 April 1, 2014 through June 30, 2014. The Report also contains information on market conditions during the reporting period.

STRATEGIC PLAN & FISCAL SUMMARY:
The recommended action has been reviewed in relation to the Commission's Strategic Plan and is consistent with applicable outcome goals. There is no funding action proposed for this item.

PRIOR COMMISSION ACTIONS:
- May 2014 – Adopted Commission Investment Policy Statement for FY 2014/15 and delegated investment authority to the Orange County Treasurer
- May 2013 – Receive Orange County Treasurer Investment Policy Statement for 2013 and delegated investment authority to the Orange County Treasurer

RECOMMENDED ACTION:
Receive Quarterly Investment Report

ATTACHMENT:
1. Quarterly/Year-End Investment Report: April 1, 2014 – June 30, 2014

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Commissioners
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Hugh Hewitt, Vice Chair
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Executive Director
Christina Altmayer

Children & Families Commission of Orange County
Quarterly Investment Report
April 1, 2014 through June 30, 2014

OVERVIEW

Pursuant to the Commission's Investment Policy Statement dated May 7, 2014, 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 April 1 through June 30, 2014.

The Commission has invested 100% of its funds 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 June 30, 2014 totaled $57,537,911.

PORTFOLIO PERFORMANCE SUMMARY – QUARTERLY

The following table presents an overview of the Commission's investments for the months of April, May, and June 2014.

Month Ended	Commission's Month End Balance	Commission's Monthly Gross Yield	OCIP Market Value	OCIP Book Value	Average Days to Maturity
April	$60,141,598	0.32%	$3,737,274,633	$3,735,882,585	426 days
May	$58,638,531	0.38%	$3,455,081,602	$3,453,038,133	455 days
June	$57,537,911	0.40%	$3,212,597,028	$3,211,430,922	464 days

ECONOMIC UPDATE

From April through June, the U.S. economy continued its modest economic growth. The job market added 304,000 new jobs in April, 229,000 in May, and 298,000 in June. The unemployment rate was 6.3% in April, remained at 6.3% in May, and dropped to 6.1% in June. According to the S&P/CaseShiller home pricing index, the housing market continued to improve as home prices increased each month, with the June report noting that April was the twenty-third consecutive month of increases, up 10.82% from a year ago. The Federal Reserve met twice during the quarter and at both meetings voted to reduce its asset purchase program by $10 billion each time. In May, it reduced the amount of monthly purchases from $55 billion to $45 billion, and further reduced the amount of monthly purchases from $45 billion to $35 billion in July. Starting in July 2014, the Federal Reserve will purchase $15 billion per month in agency mortgage-backed securities and $20 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. Rates on longer-term securities have decreased during the quarter mainly due to the release of mixed U.S. economic data. The 10-year Treasury ended the quarter at 2.53%, down from 2.72% at the end of the previous quarter.

U.S. Treasury Yield Curve: The Treasury 3-Month, 5, 10, and 30 year yields decreased, and the 2-year yield increased during the Quarter Ended June 30, 2014.

	Quarter Ended June 30, 2014	Quarter Ended March 31, 2014
3-Month	0.02%	0.03%
2-Year	0.46%	0.42%
5-Year	1.63%	1.72%
10-Year	2.53%	2.72%
30-Year	3.36%	3.56%

Source: Bloomberg World Markets

COMPLIANCE MONITORING

OCIP had no compliance exceptions for the three months ending June 2014. There were three reports issued during the second quarter of 2014. In May, the Auditor-Controller Report on Review of the Schedule of Assets Held by the County Treasury as of September 30, 2013 stated that no material modifications needed to be made to the financial statements prepared on a modified cash basis. In June, the Auditor-Controller Report on Review of the Schedule of Assets Held by the County Treasury as of December 31, 2013 stated that no material modifications needed to be made to the financial statements prepared on a modified cash basis. Also in June, the Auditor Controller Report on Continuous Compliance Auditing of the Treasury Investment Portfolio for the Quarter Ended December 31, 2013 stated that there were two compliance exceptions both of which were properly disclosed in the Treasurer's Investment Report for the Month Ended December 2013.

PORTFOLIO HOLDINGS OF DEBT ISSUED BY POOL PARTICIPANTS

Under guidelines outlined in the County's current IPS, the County Treasurer may invest in A or above rated securities issued by municipalities. Municipal debt issued by the County of Orange is exempt from this credit rating requirement. OCIP may invest no more than 5% of pool assets in any one issuer, with the exception of the County of Orange which has a 10% limit. OCIP has a total market value of $152 million in AA- rated County of Orange debt, which represents approximately 4.7% of assets. Prior to purchasing any pool participant debt, a standardized credit analysis is performed.

SUMMARY STATEMENTS

Attached for further information and reference is the OCIP Statement of Activity for the months of April, May, and June 2014.

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 April, May, and June were $60,141,598, $58,638,531, and $57,537,911 respectively.

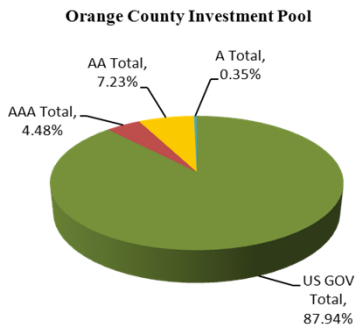
Attachments:

A. Orange County Investment Pool Summary
B. Statement of Activity for the months of April, May, and June 2014

ORANGE COUNTY TREASURER-TAX COLLECTOR
ORANGE COUNTY INVESTMENT POOL
INVESTMENT POOL SUMMARY
AT JUNE 30, 2014

PORTFOLIO COMPOSITION

Security Type	Market Value	Book Value	Unrealized Gain (Loss)	% of Market Value
CERTIFICATES OF DEPOSIT	$ 35,002,763	$ 35,000,000	$ 2,763	1.09%
U.S. GOVERNMENT AGENCIES	1,939,695,789	1,939,663,243	32,546	60.38%
MONEY MARKET MUTUAL FUNDS	110,615,410	110,615,410	-	3.44%
MEDIUM - TERM NOTES	89,657,111	89,343,733	313,377	2.79%
MUNICIPAL DEBT	152,151,429	152,114,973	36,456	4.74%
U.S. TREASURIES	885,474,527	884,693,563	780,964	27.56%
TOTAL	$ 3,212,597,028	$ 3,211,430,922	$ 1,166,106	100.00%



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

	JUNE 2014	MAY 2014	INCREASE (DECREASE)	NET CHANGE %	JUNE 2013	INCREASE (DECREASE)	NET CHANGE %
Orange County Investment Pool (OCIP)							
End Of Month Market Value[1]	$ 3,212,597,028	$ 3,455,081,602	(242,484,574)	-7.02%	$ 3,096,729,292	$ 115,867,736	3.74%
End Of Month Book Value	$ 3,211,430,922	$ 3,453,038,133	(241,607,211)	-7.00%	$ 3,099,513,117	$ 111,917,805	3.61%
Monthly Average Balance	$ 3,265,339,853	$ 3,534,537,484	(269,197,631)	-7.62%	$ 3,244,945,688	$ 20,394,165	0.63%
Year-To-Date Average Balance	$ 3,342,631,548	$ 3,349,658,066	(7,026,518)	-0.21%	$ 3,312,083,114	$ 30,548,434	0.92%
Monthly Accrued Earnings[2]	$ 1,060,245	$ 1,142,501	(82,256)	-7.20%	$ 906,597	$ 153,648	16.95%
Monthly Net Yield[2]	0.33%	0.31%	0.01%	4.61%	0.26%	0.07%	26.17%
Year-To-Date Net Yield[3]	0.26%	0.26%	0.01%	2.21%	0.32%	-0.06%	-17.22%
Annual Estimated Gross Yield	0.37%	0.37%	0.00%	0.00%	0.38%	-0.01%	-2.63%
Weighted Average Maturity (WAM)[4]	464	455	9	1.98%	380	84	22.11%

1 Market values provided by Bloomberg and Northern Trust.
2 In June 2014, OCIP monthly accrued earnings and monthly net yields were higher than June 2013, primarily due to increased investment in longer term, higher yielding securities and higher balances offset slightly by lower year-to-date yields on a lower Treasury administrative fee from higher total pool participant balances.
3 In June 2013, OCIP primarily held higher yielding securities, which over time have matured and were reinvested in lower yielding securities. As a result, the year-to-date net yield has dropped since June 2013 offset by slightly lower Treasury administrative fees.
4 In June 2014, OCIP WAMs were higher than June 2013, primarily due to investing in slightly longer maturities as part of a planned program to reduce significant excess liquidity.

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April 30, 2014

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION
Attn: Christina Altmayer, Executive Director
1505 E. 17th Street, Suite 230
Santa Ana, CA 92705

Monthly Apportionment Gross Yield:	0.319%
Administration Fee: *	-0.067%
Monthly Apportionment Net Yield:	0.252%

Fund Number : 225

APRIL 2014 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
04/01/14	March 2014 Admin Fee	AF		$	(3,492.24)
04/09/14	March 2014 Interest	IN		$	18,657.11

Summary

Total Deposit:	$	2,153,545.99	Beginning Balance:	$	60,657,626.29
Total Withdrawal:	$	(2,669,574.78)	Ending Balance:	$	60,141,597.50

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
04/09/14	March 2014 Interest	IN		$	(18,657.11)
05/01/14	April 2014 Interest	IN		$	16,091.73

Summary

Total Accrual:	$	16,091.73	Beginning Balance:	$	18,657.11
Total Payment:	$	(18,657.11)	Ending Balance:	$	16,091.73

* - The 2013/2014 estimated Administration fee has been reduced to 7.6 basis points due to higher than expected average pool balances. The Administration fee charged for February through June 2014 will be reduced to 6.7 basis points, resulting in an average of 7.6 basis points for fiscal year 2013/2014.

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May 31, 2014

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION
Attn: Christina Altmayer, Executive Director
1505 E. 17th Street, Suite 230
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Monthly Apportionment Gross Yield: 0.380%
Administration Fee: * -0.067%
Monthly Apportionment Net Yield: 0.313%

Fund Number : 225

MAY 2014 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
05/01/14	April 2014 Admin Fee	AF		$	(3,381.32)
05/12/14	April 2014 Interest	IN		$	16,091.73

Summary

Total Deposit:	$	7,001,206.62	Beginning Balance:	$	60,141,597.50
Total Withdrawal:	$	(8,504,273.50)	Ending Balance:	$	58,638,530.62

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
05/12/14	April 2014 Interest	IN		$	(16,091.73)
06/02/14	May 2014 Interest	IN		$	20,070.25

Summary

Total Accrual:	$	20,070.25	Beginning Balance:	$	16,091.73
Total Payment:	$	(16,091.73)	Ending Balance:	$	20,070.25

* - The 2013/2014 estimated Administration fee has been reduced to 7.6 basis points due to higher than expected average pool balances. The Administration fee charged for February through June 2014 will be reduced to 6.7 basis points, resulting in an average of 7.6 basis points for fiscal year 2013/2014.

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June 30, 2014

ORANGE COUNTY CHILDREN AND FAMILIES COMMISSION
Attn: Christina Altmayer, Executive Director
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Monthly Apportionment Gross Yield:	0.395%
Administration Fee: *	-0.067%
Monthly Apportionment Net Yield:	0.328%

Fund Number : 225

JUNE 2014 STATEMENT

CASH IN TREASURY

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
06/02/14	May 2014 Admin Fee	AF		$	(3,534.81)
06/20/14	May 2014 Interest	IN		$	20,070.25

Summary

Total Deposit:	$	2,258,788.14	Beginning Balance:	$	58,638,530.62
Total Withdrawal:	$	(3,359,407.66)	Ending Balance:	$	57,537,911.10

ACCRUED INVESTMENT INCOME

Transactions

Transaction Date	Transaction Description	Tran Type	Authorized Signer		Amount
06/20/14	May 2014 Interest	IN		$	(20,070.25)
07/01/14	June 2014 Interest	IN		$	19,199.69

Summary

Total Accrual:	$	19,199.69	Beginning Balance:	$	20,070.25
Total Payment:	$	(20,070.25)	Ending Balance:	$	19,199.69

* - The 2013/2014 estimated Administration fee has been reduced to 7.6 basis points due to higher than expected average pool balances. The Administration fee charged for February through June 2014 will be reduced to 6.7 basis points, resulting in an average of 7.6 basis points for fiscal year 2013/2014.