COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

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TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Joseph Kelly
Treasurer and Tax Collector

SUBJECT: **STATUS OF BREXIT ON INVESTMENT OPTIONS FOR THE COUNTY TREASURY**

This memorandum provides an update on the status of Britain's decision to exit the European Union (EU) on the investments in the County Treasury. At a balance that approximates $25 billion, the Los Angeles County Treasury Pool is the largest non-State Treasury Pool in the nation, and its average balance approximates the sum of the next four largest Treasury Pools in the State of California combined.

A bit more than a month ago, I shared with you that Britain's startling decision to pull out of the European Union had set off a cascade of aftershocks, including plunging the financial markets into turmoil. Given the globalization of the financial markets, the County Treasury owned investments at the time with ties to British banks. The Treasury's investments in US dollar denominated Certificates of Deposit (CDs) and asset backed Commercial Paper with ties to British banks approximated $2 billion (or 6-7% of the Treasury Pool's total investments.) The great majority of these investments were to mature within the upcoming 30 days and all were paid when they matured, as I believed they would be. The County Treasury did not incur losses on any of these investments.

Given the uncertainty over the long-term implications of Britain's decision as well as the number of alternative investment options available to us at the time, I instructed my Investment Office not to invest in any fixed income instruments affiliated with a British bank through August 1. I committed to review market conditions after August 1 and revise this stance as market conditions warranted.

Effective today, I removed this restriction and authorized my Investment Office to invest in high quality, short-term, US dollar denominated fixed income instruments with ties to British banks if the investment compares favorably to other investment options permissible under our Investment Policy. Over the last month, we have seen that the initial reaction of the financial markets was almost as shocking as the vote itself. Since that time, the financial markets have returned to an almost business as usual manner, appreciating more than they did initially that the exit process will be a long, structured, and deliberative one.

In investing a pool of this size, it is important that my Investment Office has the flexibility to manage to the three prioritized investment objectives of the Treasury Pool, which are 1) safety of principal, 2) liquidity, and 3) achieving a return on funds invested, without undue compromise of the first two objectives. Investments in high quality short-term Certificates of Deposit and asset backed Commercial Paper meet all three prioritized objectives.

I will continue to advise your Board of any matters that may impact the investment of funds in the County Treasury as those matters occur. In the interim, should you have any questions on the Brexit matter, please contact me directly or your staff may contact Anthony Mason, Chief Investment Officer, at 213-974-2191or amason@ttc.lacounty.gov.

JK:KK:AM:st

c: Chief Executive Officer
Auditor-Controller
Executive Officer, Board of Supervisors
Superintendent of Schools