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## TREASURER-TAX COLLECTOR-COUNTY CLERK



# SOLANO COUNTY

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July 20, 2020

The Honorable Members of the Board of Supervisors  
County of Solano County  
675 Texas Street, Suite 6500  
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Honorable Members of the Board:

It is my pleasure to present the quarterly report for the fourth quarter of FY2019/20.

### **State of the Treasury**

The \$1.4 billion Treasurer's pool is managed in accordance with the tenets of California Government Code §53600.5 to provide for the safety of principal, adequate liquidity for all anticipated cash flow requirements, and a consistent rate of return commensurate with the established risk profile.

The \$494.2 million currently held in cash and investments with six months or less left to maturity should provide adequate funding for all anticipated cash needs, while also affording the Treasury an opportunity to invest excess liquidity at higher rates.

The treasury pool is maintained with a duration designed to stabilize yields consistent with the risk profile established by the Treasurer. The treasury pool is also diversified from a credit risk perspective by maintaining a mix of investments that includes 11.9% in cash and cash equivalents, 21.1% in US Treasuries, 44.5% in Government Sponsored Enterprises, 11.5% in US Corporations, and 4.2% in Municipalities; with the balance of 6.8% held in a variety of assets including mutual funds, commercial paper, and other holdings allowable under §53600.5.

### **Current Market Conditions Impacting the Treasury Pool**

Treasury managers monitor information provided by the Federal Reserve; its actions and information impact the interest rates at the short end of the curve where nearly all the treasury investments are made.

Fiscal fallout as a result of the COVID-19 virus has caused disruptions in global financial markets that are likely to continue for the foreseeable future. The July 15, 2020 Beige Book report National Summary indicates economic activity increased in almost all 12 districts but remained well below where it was prior to the COVID-19 pandemic. Consumer spending picked up as well as retail sales. Manufacturing activity moved up but at a very low level. Outlooks in all districts remained highly uncertain. The Beige Book is a Federal Reserve System publication about current economic conditions across the 12 Federal Reserve Districts.

### **Expectations going forward**

For the coming quarter, treasury managers expect interest rates on the short end of the interest rate curve to remain close to zero. As investments in the pool mature and are reinvested, the yield on newly invested funds will be substantially lower, and the pool earnings will be less than in previous quarters.

Based on the comments of the Federal Reserve Chairman on the general state of the economy, and anticipated unemployment rates it is highly likely that interest rates will be close to zero for an extended period of time.

Credit quality of corporate securities will continue to be monitored more closely during this crisis, and investments will continue to be diversified to mitigate risk. Given the shape of the yield curve, liquidity will be increased in the coming quarter.

Respectfully Submitted,  
CHARLES LOMELI  
Treasurer – Tax Collector – County Clerk

Attachment A – Letter to the Board  
Attachment B – Statement of Compliance  
Attachment C – Investment Portfolio  
Attachment D – Balance Sheet and Income Statement  
Attachment E – Yield Curve  
Attachment F – PARS 115 Report