

CHARLES LOMELI
Treasurer-Tax Collector-County Clerk

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TREASURER-TAX COLLECTOR-COUNTY CLERK



SOLANO
COUNTY

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April 18, 2025

The Honorable Members of the Board of Supervisors
County of Solano
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 third quarter of FY2024/25.

State of the Treasury

The \$2.2 billion Treasurer's pool is managed per the tenets of California Government Code §53600.5 to provide for the safety of the principal, adequate liquidity for all anticipated cash flow requirements, and a consistent rate of return commensurate with the established risk profile. The \$1.1 billion currently held in cash and investments with six months or less left to maturity should provide adequate funding for all anticipated cash needs of the portfolio participants. This figure is higher than usual due to pending tax payments to cities and local agencies.

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 47% in US Treasuries, 34% in Government Sponsored Enterprises, 6% in Corporations, and 2% in Municipals, with the balance of 11% held in a variety of assets including LAIF, commercial paper, shares of beneficial interest and other holdings allowable under §53601.

Current Market Conditions Impacting the Treasury Pool

The new administration was installed last quarter and has begun implementing its financial policies. As the policies take hold, the equity and bond markets are expected to be more volatile than usual in the current quarter and beyond.

Treasury managers monitor the information the Federal Reserve provides. The Fed's actions and information impact the interest rates at the short end of the yield curve, defined as cash to five-year final maturity, where nearly all the treasury pool investments are made. The Federal Open Market Committee (FOMC) is charged with maintaining full employment and stable prices.

The FOMC convened on March 18, 2025, and announced on March 19, 2025, that they would maintain the federal funds rate at 4.5 percent upper and 4.25 percent lower bounds. The FOMC statement released with the announcement indicated economic activity expanded at a solid pace, labor market conditions remained solid, and inflation remained somewhat elevated. The committee will continue reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities. Beginning in April, the committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$25 billion to \$5 billion.

The FOMC is scheduled to make its next announcement on funds rates on May 7, 2025.

Expectations going forward

Given the FOMC statement and data provided in the Beige Book Report, employment data, and CPI data, treasury managers, after consulting Economists, expect interest rates on the short end of the interest rate curve to be stable in the coming quarter.

Interest earned and apportioned to treasury pool participants will be stable in the coming quarter.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Charles Lomeli".

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