

CHARLES LOMELI
Treasurer-Tax Collector-County Clerk

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TREASURER-TAX COLLECTOR-COUNTY CLERK



**SOLANO
COUNTY**

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July 17, 2024

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 fourth quarter of FY2023/24.

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 \$1.3 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.

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 20% in US Treasuries, 55% in Government Sponsored Enterprises, 4% in US Corporations, and 3% in Municipals; with the balance of 18% 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

Treasury managers monitor information provided by the Federal Reserve; its actions and information impact the interest rates at the short end of the yield curve where nearly all the treasury pool investments are made. Due to rising inflation in the economy that began many months ago, the Federal Open Market Committee (FOMC), which is charged with maintaining full employment and stable prices, began a campaign to raise interest rates incrementally to reduce economic growth and cause inflation to fall.

The FOMC convened on June 11, 2024, and announced on June 12, 2024, that the fund's rate would remain at 5.5 percent upper bounds, and 5.25 percent lower bounds. The FOMC statement released with the announcement indicated strong economic activity, a low unemployment rate, and inflation that continued to ease over the past year with modest progress toward the committee’s 2 percent inflation objective. “The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent”. The statement further indicated a reduction of its holdings of Treasury securities, agency debt, and agency mortgage-backed securities, as described in previously announced plans, will continue.

The FOMC is scheduled to make its next announcement on funds rates on July 31, 2024.

Expectations going forward

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

As investments in the pool mature and are reinvested, the yield on newly invested funds is expected to be stable to slightly lower. Stable rates of return mean the interest rate earned and apportioned to treasury pool participants will be stable in the coming quarter.

Other Matters

As part of the continuing reorganization in the treasury, the investment accounting system will be transitioned to Chandler Asset Management's Clear Water accounting system in the coming quarter. Additionally, a portion of the portfolio will be transferred to Chandler's portfolio management team for active management.

*All figures and calculations are based on market value.

Respectfully Submitted,



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- 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