

CHARLES LOMELI
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TREASURER-TAX COLLECTOR-COUNTY CLERK



SOLANO COUNTY

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August 19, 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 fourth 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 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.

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 50% in US Treasuries, 27% in Government Sponsored Enterprises, 6% in US Corporations, 2% in Municipals, and 2% in Asset Backed Securities with the balance of 13% held in a variety of assets including money markets, Local Government Investment Pools and other holdings allowable under §53601.

Current Market Conditions Impacting the Treasury Pool

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 internally as cash to five-year final maturity on the curve, 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 July 29, 2025, and announced on July 30, 2025, that it would maintain the federal funds rate at the upper and lower bounds of 4.5 percent and 4.25 percent, respectively. Notably, two committee members voted against maintaining the current rate, instead favoring a lower benchmark rate. The FOMC statement released with the announcement indicated economic activity moderated in the first half of the year. The unemployment rate remains low, labor market conditions remain solid, and inflation remains somewhat elevated. The committee will continue reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities. The committee is firmly committed to supporting maximum employment and returning inflation to its 2 percent objective.

The FOMC is scheduled to make its following announcement on the funds rates on September 17, 2025.

Expectations going forward

Given the FOMC statement, data provided in the Beige Book Report, employment data, the Consumer Price Index (CPI), and the Producer Price Index (PPI), treasury managers, after consulting External Investment Advisors and their Economists, expect interest rates on the short end of the interest rate curve to remain stable in the coming quarter.

Interest earned and apportioned to treasury pool participants will be stable in the coming quarter and likely the following quarter. Should the funds rate be reduced at a future meeting, new investments made at the short end of the curve will earn less interest, and the interest earned and apportioned to pool participants will begin to decline.

Other Matters

The investment accounting system was successfully transitioned to Chandler Asset Management's Clearwater accounting platform this quarter. The implementation has significantly improved operational efficiency by streamlining financial processes, reducing manual data entry, and enhancing accuracy in reporting.

Respectfully Submitted,



CHARLES LOMELI

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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