

CHARLES LOMELI
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TREASURER-TAX COLLECTOR-COUNTY CLERK



SOLANO COUNTY

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April 15, 2026

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 FY2025/26.

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 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 68% in US Treasuries, 10% in Government Sponsored Enterprises 7% in Corporations, 3% in Municipals, 3% in Asset Backed Securities, and a balance of 9% held in a variety of assets including Commercial Paper, 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 March 18, 2026, and announced on March 19, 2026, its decision to maintain the federal funds rate at the upper and lower bounds of 3.5 percent and 3.75 percent, respectively. The FOMC statement released with the announcement indicated job gains have moderated in recent months, and the unemployment rate has shown some gradual increase. Inflation remains somewhat elevated, though it has shown signs of easing compared with earlier periods. The statement also highlighted that risks to the labor market have become more balanced, though some downside risks remain. The committee is firmly committed to supporting maximum employment and returning inflation to its 2 percent objective.

The March Beige Book report indicated that overall economic activity continued to expand at a modest pace across most Federal Reserve districts, with several districts reporting steady growth while a few noted softer or mixed conditions.

The FOMC is scheduled to make its next announcement on the federal funds rate on April 29, 2026.

Expectations going forward

The conflict in the middle east is disrupting global markets and contributing to increased volatility and uncertainty in the near term. We are closely monitoring developments and assessing how evolving conditions may influence economic conditions, yields, and planning 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 relatively stable, with a slight downward bias, over the coming quarter.

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

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