

CHARLES LOMELI
Treasurer-Tax Collector-County Clerk

DENISE DIX
Assistant Treasurer-Tax Collector-
County Clerk

TREASURER-TAX COLLECTOR-COUNTY CLERK



**SOLANO
COUNTY**

675 Texas Street, Suite 1900
Fairfield, CA 94533-6342
(707) 784-7485
Treasurer (707) 784-6295
Fax (707) 784-6311
ttccc@solanocounty.gov
www.solanocounty.gov

October 29, 2025

The Honorable Members of the Board of Supervisors
County of Solano
675 Texas Street, Suite 6500
Fairfield CA 94533

Honorable Members of the Board:

It is my pleasure to present the quarterly report for the first quarter of FY2025/26.

State of the Treasury

The 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 \$600 million 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 62% in US Treasuries, 16% in Government Sponsored Enterprises 7% in Corporations, 2% in Municipals, 3% in Asset Backed Securities, and a balance of 10% held in a variety of assets including Commercial Paper, LAIF, shares of beneficial interest 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 October 28, 2025, and announced on October 29, 2025, a reduction in the federal funds rate at the upper and lower bounds of 3.75 percent and 4 percent, respectively. The FOMC statement released with the announcement indicated job gains have slowed this year, and the unemployment rate has edged up but remained low through August; more recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated. The statement also said the downside risks to employment rose in recent months. The committee is firmly committed to supporting maximum employment and returning inflation to its 2 percent objective.

The October Beige Book consolidated report indicated Consumer Spending on retail goods inched down in recent weeks, but overall economic activity changed little with three districts showing modest growth, five districts reporting no change, and four districts slightly softening.

The FOMC is scheduled to make its following announcement on the funds rates on December 18, 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 be stable in the coming quarter.

Interest earned and apportioned to treasury pool participants will decline slightly in the coming quarter. Due to the decrease in the federal funds rate, 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.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "C. Lomeli", is written over the printed name.

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