



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 24-058, Version: 1

Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 2023.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and accept the Treasurer's Report of Investments for the quarter ending December 31, 2023.

SUMMARY:

Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The attached exhibits provide a narrative portfolio review of economic and market conditions that support the investment activity during the October - December period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

DISCUSSION:

Inflation continued to move lower throughout the quarter as the November Consumer Price Index (CPI) reading fell to 3.1% year-over-year. Lower energy and goods prices helped offset increases in wage-driven services costs. The labor market also continued to come into better balance. The unemployment rate ended 2023 at 3.7% and 494,000 jobs were added during the quarter. Gross Domestic Product (GDP) for the quarter ended September 30, 2023, the latest available data, showed the U.S. economy grew 4.9%, on an annualized basis, which was the strongest reading over the past seven quarters.

The Federal Reserve updated the Summary of Economic Projections (SEP) released following its December meeting, which showed a peak overnight rate of 5.25% to 5.50% and implied an end to the current interest rate increase cycle. The SEP also showed 75 basis points of decreases by December of 2024. Market expectations for the overnight rate have reached their lowest levels in six months in response to falling inflation, the Federal Reserve pivot from interest rate increases to decreases, and the moderating labor market.

On December 31, 2023, the County of Monterey investment portfolio contained an amortized book value of \$3,233,798,020 spread among 323 separate securities and funds. The par value of those funds was \$3,275,888,842 with a market value of \$3,210,378,916 or 99% of amortized book value. The portfolio's net-earned income yield for the period was 3.54%. The portfolio produced an estimated quarterly income of \$26,882,589 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 398 days. The County Treasury continues to utilize shorter term debt to provide portfolio liquidity and enhanced investment opportunities in the current market environment.

The investment portfolio follows all applicable provisions of state law and the adopted Investment Policy and contains sufficient liquidity to meet all projected outflows over the next six months. Market value pricings were obtained through resources such as Bloomberg LLP, US Bank, and live-bid pricing of corporate securities.

OTHER AGENCY INVOLVEMENT:

A copy of this report will be distributed to all agencies participating in the investment pool. The Treasury Quarterly Reports are also posted on the County Treasurer's website. A monthly report of investment transactions is provided to the Board of Supervisors as required by Government Code 53607.

FINANCING:

The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. Investment earnings in the General Fund appear to be trending at a rate that will exceed the FY 2024-25 budgeted total.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This recommendation supports the Administration initiative by providing transparency and accountability in the management of County funds in the Treasurer's investment portfolio.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Attachments:

- Exhibit A - Investment Portfolio Review 12.31.23
- Exhibit B - Portfolio Management Report 12.31.23
- Exhibit C - Aging Summary 01.01.24

cc:

- Auditor-Controller - Internal Audit Section
- All depositors
- County Administrative Office
- County Counsel