



County of Monterey

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

Board Report

File #: 24-285, **Version:** 1

Receive and accept the Treasurer's Report of Investments for the quarter ending March 31, 2024.

RECOMMENDATION:

Receive and accept the Treasurer's Report of Investments for the quarter ending March 31, 2024.

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 January - March period, the investment portfolio position by investment type, and the investment portfolio by maturity range.

DISCUSSION:

Inflation continued to moderate, but the pace has slowed. Core inflation (which excludes food and energy costs) remained above the Federal Reserve's 2% target. The latest reading of core Consumer Price Index (CPI) was 3.8%, for the 12 months ending February. The labor market remained resilient, with strong job gains and wage growth exceeding inflation. During the quarter, 829,000 jobs were added, and the unemployment rate was 3.8% as of March 31, 2024. Gross Domestic Product (GDP) for the quarter ended December 31, 2023, the latest available data, showed the U.S. economy grew 3.4%, on an annualized basis. Consumer spending continued to support growth. The current estimates of GDP for the quarter ended March 31, 2024, are around 2.8%.

The Federal Reserve Market Committee (FOMC) kept the target range unchanged at its March meeting. The FOMC's dot plot updated March 20, 2024, shows three rate cuts in 2024, the same as was shown in the December dot plot. Three rate cuts would bring the federal funds target rate to a range of 4.50%-4.75%. Market expectations are now more closely aligned to FOMC forecasts, three or four total cuts in 2024 are expected, which is down from the five or six originally priced in for this year. Federal funds futures now show the earliest likely interest rate cut could occur in July.

On March 31, 2024, the County of Monterey investment portfolio contained an amortized book value of \$3,221,201,628 spread among 317 separate securities and funds. The par value of those funds was \$3,260,434,400 with a market value of \$3,195,541,575 or 99% of amortized book value. The portfolio's net-earned income yield for the period was 3.83%. The portfolio produced an estimated quarterly income of \$29,954,216 that will be distributed proportionally to all agencies participating in the investment pool. The investment portfolio had a weighted average maturity of 392 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 have exceeded the FY 2023-24 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 03.31.24
- Exhibit B - Portfolio Management Report 03.31.24
- Exhibit C - Aging Summary 04.01.24

cc:

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