

..Title

- a. Receive and accept the Treasurer's Report of Investments for the quarter ending June 30, 2025; and
- b. Receive and approve the Treasurer's Investment Policy for FY 2025-2026; and
- c. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code Section 53607.

..Report

RECOMMENDATION:

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- b. Receive and approve the Treasurer's Investment Policy for FY 2025-2026; and
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SUMMARY:

Government Code Section 53646 (b) (1) states the Treasurer may submit a quarterly report of investments. The following discussion of economic and market conditions along with attached exhibits support investment activity during the April - June period.

The Treasurer also annually reviews the County of Monterey Investment Policy and has recommended updates for the Board approval. The non-substantive updates improve formatting and grammar to enhance readability and alignment with Government Code requirements. Key revisions include updates to *Section 12.0* to add clarity regarding requests, in rare circumstances, for permanent withdrawal from the Treasury Pool. *Appendix A* was also updated to reflect current statutory limits, authorized instruments, and clarifications on supranational securities and credit rating requirements. Furthermore, the annual Board delegation of investment authority to the Treasurer-Tax Collector is prescribed by Government Code Sections 53607.

DISCUSSION:

The U.S. economy remains resilient but is showing signs of slowing. While headline employment data appears strong, underlying indicators suggest weakening. Inflation has remained relatively stable but has not yet fully absorbed the impact of newly imposed tariffs. At the same time, uncertainty surrounding fiscal policy and the inconsistent rollout of tariffs are putting pressure on consumer sentiment.

The Federal Reserve is holding interest rates steady for now, though its June projections indicate a possible 50 basis point rate cut in the latter half of 2025, with officials split between no cuts to two. Federal Reserve Chair Jerome Powell, noted that the effects, scale, and duration of tariffs remain highly uncertain, reinforcing the decision to hold rates steady while awaiting further clarity.

On June 30, 2025, the County of Monterey investment portfolio contained an amortized book value of \$3,228,810,256 spread among 272 separate securities and funds. The par value of those funds was \$3,254,075,240 with a market value of \$3,243,944,182 or 100% of amortized book value. The portfolio's effective rate of return for the period was 4.26% generating estimated quarterly interest earnings of \$34,805,293. Earnings received in cash will be distributed

proportionally to all agencies participating in the investment pool by the Auditor-Controller. The investment portfolio had a weighted average maturity of 484 days. The County Treasury continues to achieve safety, liquidity, and yield goals by balancing shorter-term debt and longer-term debt given investment opportunities in the current market environment.

The investment portfolio follows all applicable provisions of state law and the adopted Investment Policy. 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 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

Prepared by: Lupe Reyes, Chief Deputy Treasurer-Tax Collector, x5415

Reviewed by: Jake Stroud, Assistant Treasurer-Tax Collector, x5828

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5015

Attachments:

Exhibit A – Investment Portfolio Review 06.30.2025
Exhibit B – Portfolio Management Report 06.30.2025
Exhibit C – Investment Policy FY 2024-2025 Red Line
Exhibit D – Investment Policy FY 2025-2026 Proposed

cc:

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Auditor-Controller - Internal Audit Section

All depositors

County Administrative Office

County Counsel