County of Monterey

Board Report

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Item No.

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

August 11, 2026

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a. Receive and accept the Treasurer’s Report of Investments for the quarter ending June 30, 2026.
b. Receive and approve the Treasurer’s Investment Policy for FY 2026-2027; and
c. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.

RECOMMENDATION:
It is recommended that the Board of Supervisors:
a. Receive and accept the Treasurer’s Report of Investments for the quarter ending June 30, 2026.
b. Receive and approve the Treasurer’s Investment Policy for FY 2026-2027; and
c. Renew the Delegation of Investment Authority to the Treasurer-Tax Collector pursuant to California Government Code 53607.

SUMMARY:
Pursuant to Government Code Section 53646(b)(1), the Treasurer may submit a quarterly report of investment activities to the Board of Supervisors. The following discussion and attached exhibits summarize economic and market conditions and document investment activity for the period from April 1 through June 30, 2026.

The Treasurer conducts an annual review of the County of Monterey Investment Policy to ensure continued compliance with California Government Code and alignment with industry best practices. The proposed revisions are primarily administrative in nature and improve formatting, grammar, readability, and statutory references without changing the County's investment objectives, authority, practices, or applicable legal compliance. The policy also incorporates Senate Bill 595, which extends the maximum allowable maturity of commercial paper from 270 to 397 days, ensuring consistency with current California Government Code requirements. As required by Government Code Section 53607, annual renewal of the Board's delegation of investment authority to the Treasurer-Tax Collector is also recommended. Approval of the proposed Investment Policy and renewal of the Treasurer-Tax Collector's delegated investment authority will ensure uninterrupted investment operations and continued compliance with California Government Code throughout FY 2026-2027.

DISCUSSION:
The U.S. economy remained resilient during the quarter, supported by continued investment in artificial intelligence (AI), which helped offset moderating consumer spending. Inflationary pressures eased as energy prices stabilized, although ongoing geopolitical tensions in the Middle East continue to present upside inflation risks. Labor market conditions remained

balanced, with modest wage growth and stable employment trends.

The Federal Reserve maintained the federal funds target range at 3.50% to 3.75% throughout the quarter. Federal Reserve Chair Kevin Warsh emphasized restoring price stability while announcing the removal of forward guidance, encouraging financial markets to place greater emphasis on incoming economic data rather than anticipated policy actions. Although Chair Warsh did not publish individual rate projections, nine Federal Reserve participants projected at least one rate increase during 2026.

As of June 30, 2026, the County of Monterey's investment portfolio had an amortized book value of $3,419,674,942 diversified across 262 individual securities and funds. The portfolio's par value totaled $3,430,636,784 with a market value of $3,412,779,067 representing approximately 100% of amortized book value. The portfolio generated an effective rate of return of 4.19% for the quarter, producing estimated interest earnings of $36,278,049. Interest earnings received in cash will be distributed proportionally to all agencies participating in the County's investment pool by the Auditor-Controller. The portfolio maintained a weighted average maturity of 473 days.

The County Treasury continued to manage the portfolio with an emphasis on safety, liquidity, and yield by maintaining a disciplined balance of shorter-term and longer-term investments while prudently responding to market opportunities consistent with the County's Investment Policy. All investments remained in compliance with applicable California Government Code and the County's adopted Investment Policy. Market valuations were obtained from independent third-party pricing sources, including Bloomberg LLP, U.S. Bank, and live-bid pricing for corporate securities.

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:
A copy of this report will be distributed to all agencies participating in the County investment pool. Quarterly Treasury reports are also posted on the Treasurer-Tax Collector's website. In addition, a monthly report on investment transactions is provided to the Board of Supervisors in accordance with Government Code Section 53607.

FINANCING:
The investment portfolio contains sufficient liquidity to meet all projected expenditures over the next six months. Investment earnings allocated to the General Fund exceeded the FY 2025-26 budgeted amount.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:
Mark a check to the related Board of Supervisors Strategic Plan Goals
____ Well-Being and Quality of Life
____ Sustainable Infrastructure for the Present and Future
____ Safe and Resilient Communities
____ Diverse and Thriving Economy
____ Dynamic Organization and Employer of Choice

If does not fall under any of the above Board of Supervisors Strategic Plan Goals (Other):

_X_ Administrative [Include one or two sentences referencing the Ordinance, Code, Board Order/Resolution, etc. in relation to this selection]
This recommendation supports the Administrative initiative by promoting transparency, accountability, and prudent stewardship in the investment and safeguarding of public funds.
Link to the Strategic Plan:
<https://www.countyofmonterey.gov/home/showdocument?id=139569>

Prepared by:
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Approved by:
Jake Stroud, Treasurer-Tax Collector, x5015

Attachments:
Exhibit A - Investment Portfolio Review 06.30.26
Exhibit B - Portfolio Management Report 06.30.26
Exhibit C - Investment Policy FY 2025-2026 Red Line
Exhibit D - Investment Policy FY 2026-2027 Proposed

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