

# STAFF REPORT

To: Board of Directors

From: Barbara Buikema, General Manager

Date: May 30, 2024

Subject: Summary of Monterey County Treasurer  
Report dated March 31, 2024



## RECOMMENDATION

Action required – requesting acceptance of report.

## 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 2.8% for the 12 months ending February. The labor market remained resilient, with strong job gains and wage growth exceeding inflation. During the quarter, 920,000 jobs were added, and the unemployment rate was 2.8% 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 \$3,195,531,575 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.

<b>PORTFOLIO CHARACTERISTICS</b>			
	09-30-23	12-31-23	03-31-24
Total Assets	\$2,961,795,633	\$3,275,888,842	\$3,260,434,400
Market Value	\$2,870,992,187	\$3,210,378,916	\$3,195,541,575
Days to Maturity	362	398	392
Yield	3.10%	3.54%	3.83%
Estimated Earnings	\$22,568,162	\$26,882,589	\$29,954,216

The Monterey County Treasurer's portfolio consists of fixed income investments, all of which are authorized by the State of California Government Code §53601.

<b>Portfolio Asset Composition</b>	
Corporate Notes	22.5%
Overnight Liquid Assets	19.0%
US Treasuries	34.6%
Federal Agencies	11.1%
Commercial Paper	8.4%
Negotiable CDs	3.8%
Supranationals	0.5%
Municipal Bonds	<0.1%
Asset Backed Securities	<0.1%

Future Strategy: The Treasury continues to strategically invest assets while accounting for potential liquidity needs. Opportunities are actively evaluated to safely add value to the County's portfolio while maintaining a strong sense of safety and risk management.

The investment portfolio was in compliance with all applicable provisions of state law and the adopted Investment Policy contained sufficient liquidity to meet all projected outflows over the next six months.

Note: the Monterey County Treasurer Report is available on the Monterey County Treasury [website](#).