

Thurston County Finance Committee Meeting Minutes

4/17/2023

Members Present: Treasurer Jeff Gadman, Commissioner Carolina Mejia, Auditor Mary Hall

1. Approved January 23, 2023, 4th Quarter 2022 minutes and March 15, 2023, Special Meeting minutes

2. First Quarter Performance:

Portfolio Earnings by Month

- Yield for March 1.53%, annual average 1.48%
- LGIP 2022 Average Rate 4.35%

Portfolio Snapshot (March 2022)

- Total Investments (as of March 31st), \$ 1,168,959,000
 - 12.0 % in invested cash \$140,000,000
 - 27.3% maturing in less than 1 year

TCIP Portfolio Summary

- Mark to market 95.70% (securities only)
- Weighted Average Maturity – 1.50 years

3. Quarterly Commentary (attached)

4. Discussion of Debt Policy

Treasurer Gadman is reviewing the comments from the WPTA Reviewers and working on incorporating them, so look for a suggested revision in the near future.

5. Other

Respectfully Submitted,



Mary Hall
Secretary, Finance Committee

2023

Quarterly Commentary

Prepared by Nicole Muegge, Investment & Banking Officer

January: Closer monitoring of cash flow continues as inflows and outflows remain less predictable than usual. We have increased the granularity of daily cash we are reviewing in order to clearly identify anomalies and to improve our insight into changes in our cash flow models. Inflationary concerns continue to dominate headlines and drive sentiment in the market. Treasury rates declined overall throughout the month. We are still anticipating waiting until April to make any new purchases, as tax money begins to roll in. Expected increases to the fed funds rate remains debated. Many believe the extent of the raise in rates will begin to slow and the amount by which the rate will rise will be smaller than the last several rate hikes. Most expect a 25bps increase, but it is still debated that another 50bps increase is in order to keep inflation in check.

February: Treasury rates reversed their decline for last month and climbed above where they ended in 2022. In reviewing cash flow projections, due to slightly higher cash balances than projected, and confirming delayed timing for spending of County bond fund monies, it is anticipated that we may be able to purchase new investment a little sooner than April. It is hoped that we can take advantage of some higher rates before we start to see continued declines after the Fed stops hiking. The yield on the portfolio continues to lag behind LGIP and will likely continue into late in the year. With higher interest rates on our cash investments and the shorter month, our yield rose for the month, bringing us just above 1.5%. We haven't seen a yield this high since first quarter of 2020.

March: We were able to make some additional purchases for the month. Though rates declined this month, the downturn occurred after purchases were made at the beginning of the month. We were able to take advantage of some higher rates which included securities all yielding above 5% and all maturing in less than 2 years. You will notice a slight decline from last month, however it is still an increase from January. As mentioned previously, February's yield generally can be slightly higher due to being a shorter month. The big news for this month was a slower pace for rate hikes, which included only raising the fed funds rate by 25 bps. There was also increased volatility in the market due to the news of Silicon Valley Bank failing. The liquidity concerns raised by this failure sent nervous shockwaves as it remained to be seen whether there would be a run on any banks. Many developed concerns regarding their own banks, questioning their solvency. Though these concerns can be valid, we have confidence in the safety of our funds at KeyBank, which is a small portion of our overall cash availability. The diversity we deploy with our cash investments, including utilizing LGIP and depositing funds in other institutions (Cathay Bank currently), provides additional resources, should one of our institutions have an unexpected liquidity issue.