

Thurston County Finance Committee Meeting Minutes 7/31/2023

Members Present: Treasurer Jeff Gadman, Commissioner Carolina Mejia, Auditor Mary Hall
Others Present: Nicole Muegge, Cathleen Bright

1. Approved Agenda
2. April 17, 2023, minutes
3. Second Quarter Performance (all figures are as of June 30, 2023):

Portfolio Earnings by Month

- Yield for June 1.97%, 2023 annual average 1.71%
- LGIP 2022 Average Rate 4.94%

Portfolio Snapshot (June 2023)

- Total Investments (as of June 30, 2023, \$ 1,225,801,000
 - 15.4 % in invested cash \$189,000,000
 - 25.5% maturing in less than 1 year \$312,667,000

TCIP Portfolio Summary

- Mark to market 95.60%
- Weighted Average Maturity – 1.59 years

4. Quarterly Commentary (attached)

Respectfully Submitted,



Mary Hall
Secretary, Finance Committee

2023

Quarterly Commentary

Prepared by Nicole Muegge, Investment & Banking Officer

April: Cash patterns seem to be normalizing and certainty of funds available for investment are better able to be determined. Historical cash flows are still a bit skewed from ARPA and Cares funds though. A little over \$35mm in new purchases were made this month. All purchases made this month have a yield in excess of 4%. This helped to push the yield up a bit to 1.78%. Due to continued increase in short term rates, TCIP continues to lag behind LGIP. Though it is hoped this will correct course by year-end, and is cyclical, continue rate hikes by the Fed, will delay this reversal longer. The troubles that became apparent with First Republic last month was stirring up additional fears of the stability of the banking system. The failure of this bank led to a takeover by JPMorgan.

May: The Fed Funds rate was increased by another 25bps this month. We began to look at taking on duration, locking in rates in expectation of declines in rates expected later this year. Availability of investments in the 3-5 year bullet space are pretty limited. In order to add duration, a look at deep discount callables will provide bullet like performance and help to bring in some additional yield. An additional \$35mm was purchased again this month, however the longer dated bullet structures are yielding less than the shorter term. These will drag the yield slightly in the short term, but provide longer term benefits when the rates begin to fall.

June: The Fed chose not to raise the Fed Funds rate, but rather to leave it unchanged this month. However, it is still expected that there could be one or two more rate increases this year. Even with this expectation, lower rates overall are still likely this year. Only one additional purchase was made this month. Rates yo-yo' d throughout the month and ultimately only increased slightly. With a significant amount of securities maturing toward the end of May and in June, along with the debt payment at the beginning of the month, the total invested for June is less. Specifically, even with new purchases in May, total amount invested was \$60mm less than April, followed by an additional decrease of \$124.5mm. The reduced amount invested is due to a decrease in overall cash balance. This decrease resulted in reduced earnings for the month of June, dropping the yield slightly. Reduced cash balances in the portfolio are in part due to the debt payment and some beginning of summer construction spending.