



# TREASURER-TAX COLLECTOR VENTURA COUNTY

**SUE HORGAN**  
TREASURER-  
TAX COLLECTOR

**Marilou Tan**  
Assistant Treasurer-Tax Collector

September 10, 2024

Ventura County Board of Supervisors  
800 South Victoria Avenue  
Ventura, CA 93009

**SUBJECT:** Receive and File Report of Investments for the Month Ending June 30, 2024; and Fiscal Year Summary and Review of the Investment Program.

**RECOMMENDATION:** Receive and File

**FISCAL/MANDATES IMPACT:** None

**STRATEGIC PLAN PRIORITY:** The item presented in this Board letter supports making responsible and efficient use of public funds and promotes economic stability and growth during a changing economy.

**DISCUSSION:**

**Part I: This part of the report covers the one-month period ending June 30, 2024**

**Economic Update**

Key Economic Data			
	6/30/2024	5/31/2024	6/30/2023
<b>Effective Fed Funds Rate</b>	5.33%	5.33%	5.08%
<b>Unemployment Rate</b>	4.1%	4.0%	3.6%
<b>Consumer Price Index</b>	3.0%	3.3%	3.0%
<b>Core Consumer Price Index</b>	3.3%	3.4%	4.8%

Recent economic data suggests positive but slower growth this year fueled by consumer spending. A moderating labor market poses potential headwinds to future economic growth. Inflationary trends are subsiding, but core levels remain above the Federal Reserve’s target. As expected at the July meeting, the Federal Open Market Committee voted to leave the federal funds rate unchanged at the target range of 5.25%-5.50%.

### Investment Pool Activity

Portfolio At a Glance			
	6/30/2024	5/31/2024	6/30/2023
<b>Portfolio Average Balance</b>	\$4.67 billion	\$4.86 billion	\$4.45 billion
<b>Weighted Average Maturity</b>	304 days	298 days	247 days
<b>Effective Duration</b>	0.733	0.712	0.463
<b>Monthly Earnings</b>	\$17,746,344	\$19,043,402	\$13,222,999
<b>FY Annual Earnings</b>	\$183 million	N/A	\$107 million
<b>FY Annual Earnings % Change from Prior Year</b>	71%	N/A	613%
<b>Effective Rate of Return Net of Administrative Fees</b>	4.57%	4.56%	3.57%

The **earnings** for June were \$17,746,344, a \$1.3 million decrease from May due to the smaller portfolio balance. The June **effective Rate of Return**, net of administrative fees, was 4.57%, an increase from the 4.56% earned in May.

The portfolio balances shift in a cyclical pattern. They will continue to decline until November, when the first installment of secured property taxes will begin to be collected. If the current portfolio investments are all held to maturity, the portfolio's gross **approximate yield to maturity** would be 4.54%.

The **weighted average days to maturity** increased slightly to 304 days, and the interest-rate sensitivity measure of **effective duration** also increased slightly to 0.733. Both numbers comfortably meet expectations for LGIP programs like ours.

The portfolio has been managed with the objectives of safety, liquidity, and earning a competitive return, as outlined in the Statement of Investment Policy and as required by California Government Code 53601 and 53635, and continues to comply with the policy and all related statutes governing the management of public funds. The pool maintains its rating of AA Af/S1+ by Standard & Poor's, the highest rating given by that rating organization. The Ventura County Investment Pool complies with Government Code Section 53646, which requires meeting its expenditure requirements for the next six months.

## Part II: 2024 Fiscal Year Summary and Review of the Investment Program

For the 2023-24 fiscal year ended June 30, 2024, the program focused on safety and liquidity within a backdrop of tight financial conditions designed to slow the economy down to tame inflation. The County Pool was managed carefully and prudently as we navigated:

- **Persistent though waning inflation impacting consumers at all levels.** The Consumer Price Index year-over-year growth has been on a downward trajectory, though price growth has been steadily strong. The index began the fiscal year at 3.0% before peaking at 3.7%, ending at the same 3.0% level. Consumers have been struggling with higher costs associated with shelter, energy, food, and borrowing costs.
- **A strong labor market that is now waning.** Job openings, as measured by the US Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS), indicated job openings totaling as many as 9.125 million jobs available at the beginning of the fiscal year. That measure has moderated to 8.184 million at fiscal year-end. The unemployment rate increased from 3.6% to 4.1% for the year. The beginning of the year was favorable for job seekers as businesses attempted to ramp up hiring to keep up with strong demand. Still, wage inflation and higher financing costs have caused employers to decrease hiring over the year.
- **Heightened capital market volatility due to geopolitical uncertainty related to the Israel-Gaza conflict and the continuing war in Ukraine.** The conflicts impacted oil prices as they continue to weigh on global fiscal budgets against a backdrop of slowing global growth.

The Investment Work Group continues to track two significant statistics of note for the fiscal year: earnings growth and portfolio size. The earnings from the portfolio grew from \$107 million in fiscal year 2023 to \$183 million in fiscal year 2024, an increase of \$76 million, or 71%. The average daily portfolio balance grew from \$4.5 billion in June 2023 to \$4.7 billion in June 2024, achieving a high point of \$5.2 billion in April. The pool's primary focus during the year was to continue to increase safety and liquidity by:

- Increasing diversification by limiting issuer concentrations. While the County's investment policy allows up to 10% on non-governmental issuers, the pool has been moving towards limiting exposure to any single issuer. Currently, only governmental issuers such as U.S. Treasury securities, federal agency obligations, and AAA-rated supranational issuers comprise more than 5% of the portfolio. Smaller allocations to individual issuers allow the portfolio to add more names and spread the risk out over increased issuers in the portfolio.
- Continuing to maintain significant positions in governmental securities, particularly U.S. Treasury obligations. Currently, the portfolio retains 17% in U.S. Treasuries.

- Government-sponsored enterprises comprise another 21%. Governmental securities are generally considered safer and more liquid by most investors, and our team has been working to increase these so that in the unlikely event of a financial crisis, the portfolio has enough liquid funds to meet cash needs.
- Continuing to look for opportunities to extend maturities in the portfolio in light of an expectation for lower future interest rates available for investment. The Federal Reserve has been expected to lower the overnight borrowing rate between banks to keep the economy from a contraction and combat the persistent inversion of the U.S. Treasury yield curve (where shorter maturity securities offer higher yields than longer maturity investments). This activity by the Fed would provide lower-yielding investments for the portfolio in the future. A more extended duration position with longer maturity investments would temporarily protect the portfolio's income. Duration increases are contemplated only after ensuring the portfolio has enough funds maturing to provide liquidity to investors.
- Carefully analyzing cash flow patterns to more efficiently manage liquidity and to improve future cash generation. Our team continually anticipates cash needs while maintaining cash available for unexpected cash withdrawals from the portfolio.

The County's investment program continues to comply with the requirements of state statutes that govern the investment of public funds. The program focuses on risk management, is prudently managed, and is well-positioned to provide competitive returns while maintaining safety and liquidity.

This letter has been reviewed and approved as to form by the County Executive Office, the Auditor Controller's Office, and County Counsel. Please contact me at 805-654-3771 if you have any questions or require further information regarding this item.

Sincerely,



Sue Horgan  
Treasurer-Tax Collector

- Exhibit 1 - Portfolio Summary - June 2024
- Exhibit 2 - Monthly Transactions Report - June 2024
- Exhibit 3 - Portfolio Holdings - June 2024