



Milford City Hall Council Chambers 201 South Walnut Street Milford DE 19963

CITY COUNCIL AGENDA July 22, 2024

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5:00 P.M.

15-Minute Public Comment Period*

Virtual attendees must register prior to start time of meeting by calling 302-422-1111 Extension 1300 or 1303, or by sending an email to cityclerk@milford-de.gov and providing your name, address, phone number, and item name and/or description you wish to comment on. Persons in attendance wishing to speak must sign up prior to the start of the Council Meeting.

FINANCE & AUDIT COMMITTEE

Call to Order – Chair Jason James Sr.

Investment Update

Adjournment

All items on the Meeting Agenda are subject to a potential vote.

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CITY OF MILFORD, DELAWARE

Investment Performance Review For the Quarter Ended June 30, 2024

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Agenda

- Market Summary
- Account Summary
- Portfolio Review

Market Summary

Summary

- ▶ The second quarter of 2024 was characterized by moderating economic growth, inflation resuming its slowing trend as it inches closer to the Fed's 2% target, signs of consumer activity beginning to taper, and a labor market that continues to come into better balance.
- ▶ As expected, the Fed kept the overnight rate at its current target range of 5.25% to 5.50% at its June 12 meeting, marking the seventh consecutive meeting since July 2023 keeping rates at this level. Furthermore, the Fed's updated "dot plot" showed just one rate cut in 2024, a notable drop from the March projections of three cuts. This more closely aligned with market expectations, which generally assumed one or two cuts in the back half of this year.
- ▶ Investment markets generally remained priced for a "soft landing" as investor confidence and a strong investor sentiment continued to buoy risk asset valuations. Equity markets, led notably by the technology sector, surged ahead and closed Q2 just shy of all-time highs. The S&P 500 Index returned 4.3% in Q2 while the NASDAQ Index generated an 8.5% return. U.S. Treasury yields of maturities from one to 30 years rose 13 to 22 bps, with longer tenors leading the ascent.

Economic Snapshot

- ▶ U.S. inflation readings continued to make subtle progress toward the Fed's 2% target through most of Q2. The Fed's preferred measure of inflation, the Personal Consumption Expenditures Index (PCE), tracked lower in May after the April and March readings showed no change. Core PCE, which removes the volatile food and energy components from PCE, declined to 2.6% in May, which also marked a multi-year low.
- ▶ U.S. real GDP growth cooled in Q1, as the final reading of 1.4% was notably lower than the third and fourth quarters of 2023. The cooling in growth was attributed to net negative contributions from net exports and private inventories, although a decline in personal spending was also noteworthy.
- ▶ The U.S. labor market continued to soften as the pace of job growth slowed in Q2. The unemployment rate hit 4.1% in June, ending a 28-month streak of unemployment at or below 4.0%. Overall, the labor market is expected to remain supportive of personal consumption as wage growth continues to outpace inflation. However, some signs of cooling in the labor market, including increasing jobless claims, underscore the moderation in economic expectations over the near-term.

Interest Rates

- ▶ The market spent most of Q2 recalibrating expectations around the number of Fed rate cuts in 2024, ultimately settling at one or two following April's CPI reading. Fed funds futures ended the quarter pricing in the first rate cut in September, which represents an eight-month delay from expectations at the beginning of the year.

- ▶ U.S. Treasury yields rose modestly as the yield on the 2-, 5-, and 10-year U.S. Treasuries rose 13, 16, and 20 bps, respectively. Despite the relatively modest increase in yields, Treasuries traded over a 40 to 50 bps range over the quarter.
- ▶ U.S. Treasury indices less than 10 years posted positive performance as higher income more than offset the negative price effects from modestly higher yields. The ICE BofA 2- and 5-year Treasury indices returned +0.85% and +0.42% respectively, while higher yields and the longer duration of the 10-year U.S. Treasury index produced negative performance, resulting in a return of -0.30% for the quarter. Shorter-duration indices continued to benefit from the elevated Fed rate policy as the ICE BofA 3-month and 1-year U.S. Treasury indices returned +1.32% and +1.11%, respectively.

Sector Performance

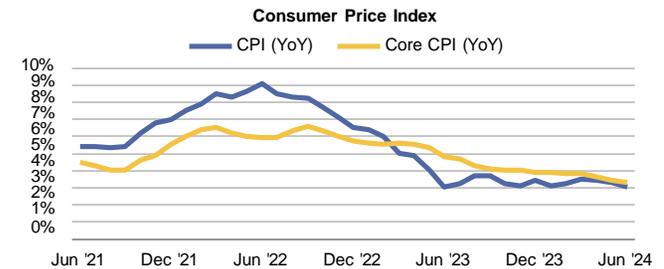
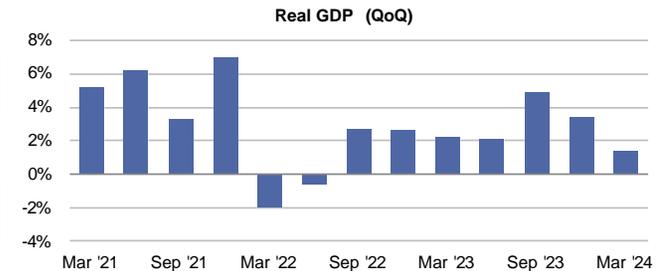
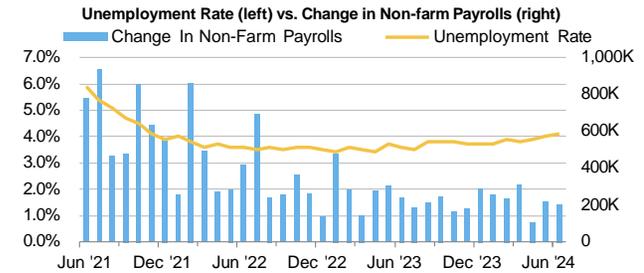
- ▶ Sustained investor appetite continued to pressure yield spreads near multi-year lows across most IG sectors throughout Q2, resulting in firmly positive excess returns on corporates and most other non-government fixed income sectors.
- ▶ Federal agency, municipal, and supranational yield spreads remained low and range bound throughout Q2. Issuance was light and the incremental income from these sectors has continued to narrow.
- ▶ IG corporates performed exceedingly well for the majority of the quarter as strong performance in April and May offset modest weakness in June. Near-record-high issuance through the first half of 2024 was met with robust investor demand. On an excess return basis, lower-quality and longer-duration securities outperformed, while financial sectors bested their industrial counterparts.
- ▶ The 20-basis point back-up in the 30-Year U.S. Treasury yield over the final week of Q2 negatively affected performance of most agency mortgage-backed securities (MBS), wiping out strong positive excess returns from May and June. Agency commercial MBS – which tend to have a shorter duration than residential counterparts – generated positive excess return.
- ▶ The asset-backed security (ABS) sector continued to perform well in Q2 as higher incremental income made the sector an attractive alternative relative to industrial corporate issuers. The strength in the sector was supported by a resurgence in issuance that was met with strong demand and heavy oversubscriptions, as well as persistent tightness in spreads that remained hovering near their two-year lows.
- ▶ Shorter maturities less than one year remained firmly above 5.25% as the Fed's overnight rate policy remained unchanged. Short-term credit, including commercial paper and negotiable CDs, generally experienced spread tightening over the course of the quarter.

Economic Snapshot

Labor Market		Latest	Mar '24	Jun '23
Unemployment Rate	Jun '24	4.1%	3.8%	3.6%
Change In Non-Farm Payrolls	Jun '24	206,000	310,000	240,000
Average Hourly Earnings (YoY)	Jun '24	3.9%	4.1%	4.7%
Personal Income (YoY)	May '24	4.6%	4.3%	5.4%
Initial Jobless Claims (week)	7/6/24	222,000	222,000	248,000

Growth				
Real GDP (QoQ SAAR)	2024Q1	1.4%	3.4% ¹	2.2% ²
GDP Personal Consumption (QoQ SAAR)	2024Q1	1.5%	3.3% ¹	3.8% ²
Retail Sales (YoY)	May '24	2.3%	3.6%	1.6%
ISM Manufacturing Survey (month)	Jun '24	48.5	50.3	46.4
Existing Home Sales SAAR (month)	May '24	4.11 mil.	4.22 mil.	4.11 mil.

Inflation/Prices				
Personal Consumption Expenditures (YoY)	May '24	2.6%	2.7%	3.2%
Consumer Price Index (YoY)	Jun '24	3.0%	3.5%	3.0%
Consumer Price Index Core (YoY)	Jun '24	3.3%	3.8%	4.8%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$81.54	\$83.17	\$70.64
Gold Futures (oz.)	Jun 30	\$2,340	\$2,217	\$1,929



1. Data as of Fourth Quarter 2023.

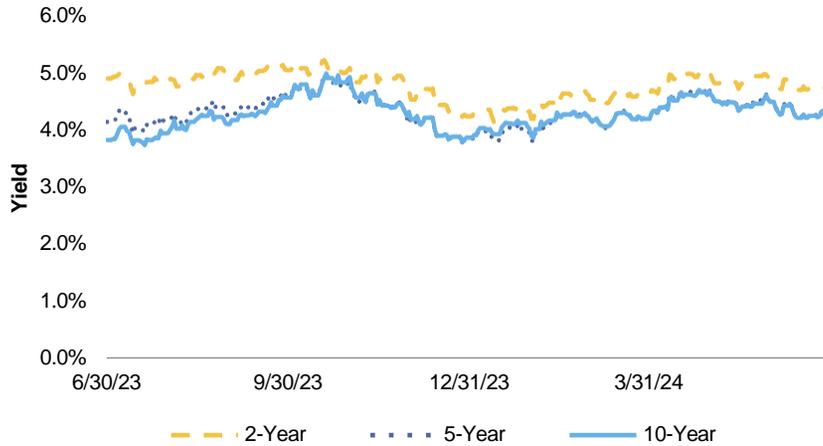
2. Data as of First Quarter 2023.

Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

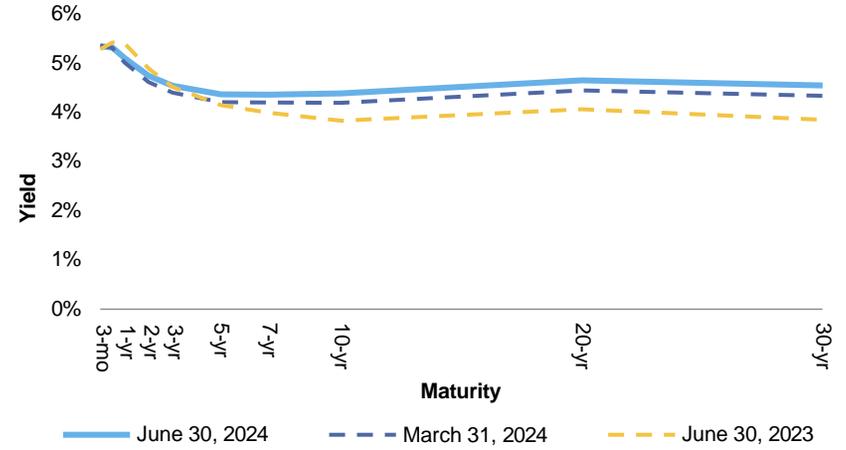
Source: Bloomberg.

Interest Rate Overview

U.S. Treasury Note Yields



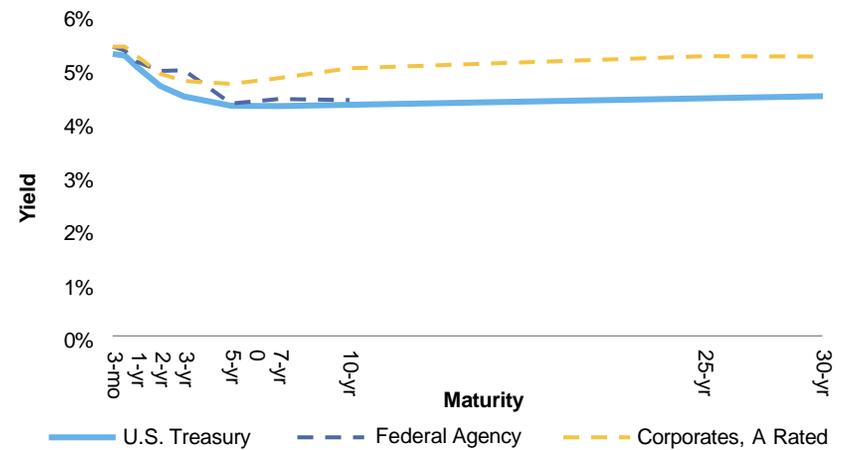
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Jun '24	Mar '24	Change over Quarter	Jun '23	Change over Year
3-Month	5.36%	5.37%	(0.01%)	5.30%	0.06%
1-Year	5.12%	5.03%	0.09%	5.42%	(0.30%)
2-Year	4.76%	4.62%	0.14%	4.90%	(0.14%)
5-Year	4.38%	4.21%	0.17%	4.16%	0.22%
10-Year	4.40%	4.20%	0.20%	3.84%	0.56%
30-Year	4.56%	4.34%	0.22%	3.86%	0.70%

Yield Curves as of June 30, 2024



Source: Bloomberg.

ICE BofAML Index Returns

June 30, 2024	As of 06/30/2024		Returns for Periods ended 06/30/2024		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.82	4.79%	0.94%	4.53%	0.40%
Federal Agency	1.50	4.89%	1.02%	4.90%	0.61%
U.S. Corporates, A-AAA rated	1.87	5.32%	1.05%	5.67%	1.00%
Agency MBS (0 to 3 years)	1.95	5.52%	1.17%	5.25%	0.17%
Taxable Municipals	1.65	5.13%	0.94%	5.38%	0.89%
1-5 Year Indices					
U.S. Treasury	2.58	4.64%	0.82%	4.16%	(0.35%)
Federal Agency	1.87	4.77%	0.97%	4.70%	(0.03%)
U.S. Corporates, A-AAA rated	2.54	5.13%	0.97%	5.75%	0.26%
Agency MBS (0 to 5 years)	3.00	5.37%	0.69%	4.67%	(0.70%)
Taxable Municipals	2.25	5.11%	0.81%	4.80%	0.18%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.20	4.57%	0.12%	1.36%	(3.43%)
Federal Agency	3.20	4.73%	0.82%	4.18%	(1.07%)
U.S. Corporates, A-AAA rated	6.75	5.34%	(0.03%)	4.03%	(3.09%)
Agency MBS (0 to 30 years)	5.61	5.23%	0.23%	2.14%	(2.96%)
Taxable Municipals	8.90	5.29%	(0.45%)	2.38%	(4.70%)

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

Disclosures

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Account Summary

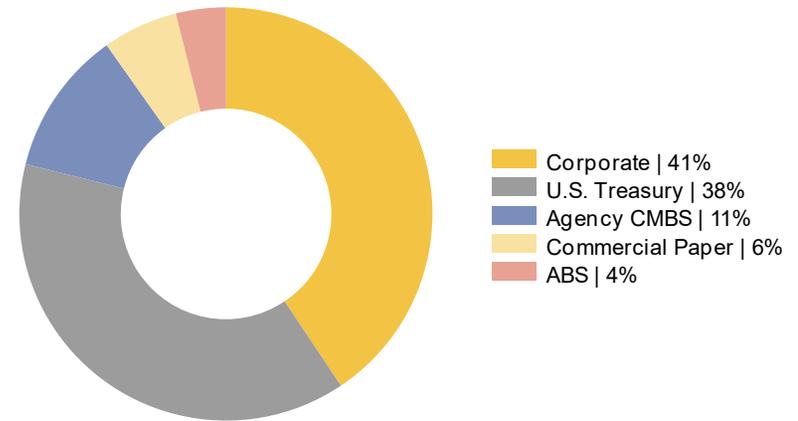
Portfolio Review:
CITY OF MILFORD, DELAWARE

Portfolio Snapshot - CITY OF MILFORD, DELAWARE¹

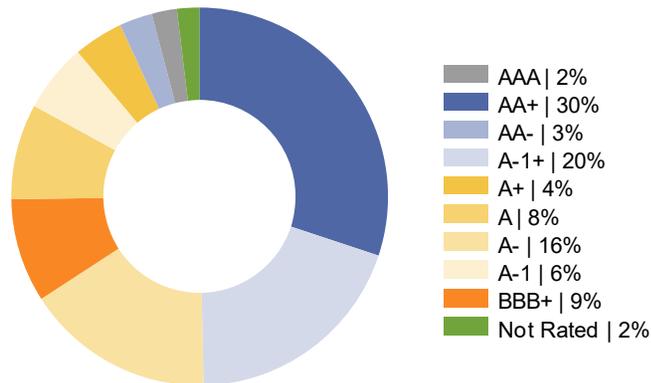
Portfolio Statistics

Total Market Value	\$34,075,879.03
<i>Securities Sub-Total</i>	\$33,830,739.32
<i>Accrued Interest</i>	\$179,428.49
<i>Cash</i>	\$65,711.22
Portfolio Effective Duration	1.31 years
Benchmark Effective Duration	2.03 years
Yield At Cost	5.24%
Yield At Market	5.17%
Portfolio Credit Quality	A

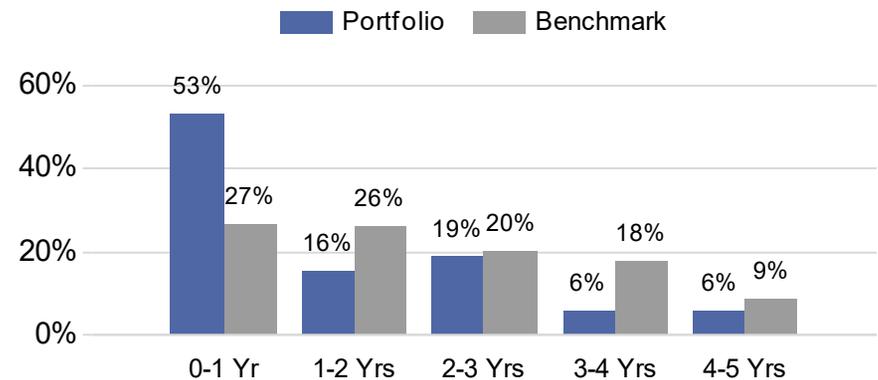
Sector Allocation



Credit Quality - S&P



Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 0-5 Year U.S. Treasury Index. Source: Bloomberg. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	38.2%	
UNITED STATES TREASURY	38.2%	AA / Aa / AA
Agency CMBS	11.3%	
FANNIE MAE	1.5%	AA / Aaa / AA
FREDDIE MAC	9.8%	AA / Aaa / AA
Commercial Paper	5.8%	
CREDIT AGRICOLE SA	2.2%	A / Aa / AA
MITSUBISHI UFJ FINANCIAL GROUP INC	1.5%	A / Aa / A
NATIXIS NY BRANCH	2.2%	A / Aa / A
Corporate	40.8%	
ABBVIE INC	0.5%	A / A / NR
AMERICAN EXPRESS CO	0.4%	BBB / A / A
AMERICAN HONDA FINANCE	0.3%	A / A / NR
AMPHENOL CORP	0.5%	BBB / A / NR
ANALOG DEVICES INC	0.3%	A / A / A
ASTRAZENECA PLC	0.3%	A / A / A
BANK OF AMERICA CO	1.2%	A / A / AA
BANK OF MONTREAL	1.5%	A / A / AA
BANK OF NOVA SCOTIA	1.7%	A / A / AA
BLACKROCK INC	0.1%	AA / Aa / NR
BOSTON SCIENTIFIC CORP	0.2%	BBB / Baa / BBB
BP PLC	0.5%	A / A / A
BRISTOL-MYERS SQUIBB CO	0.3%	A / A / NR
CANADIAN IMPERIAL BANK OF COMMERCE	0.7%	A / A / AA
CATERPILLAR INC	0.7%	A / A / A
CISCO SYSTEMS INC	0.5%	AA / A / NR
CITIGROUP INC	1.1%	A / A / A

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	40.8%	
CITIZENS BANK NA/RI	0.7%	A / Baa / BBB
COMCAST CORP	0.3%	A / A / A
CUMMINS INC	0.3%	A / A / NR
DEERE & COMPANY	0.7%	A / A / A
DIAGEO CAPITAL PLC	0.7%	A / A / A
FIFTH THIRD BANCORP	0.7%	A / A / A
GILEAD SCIENCES INC	0.2%	BBB / A / NR
GOLDMAN SACHS GROUP INC	1.8%	BBB / A / A
HOME DEPOT INC	0.5%	A / A / A
HORMEL FOODS CORP	0.2%	A / A / NR
HUNTINGTON NATL BANK	0.7%	A / A / A
INTERCONTINENTAL EXCHANGE	0.4%	A / A / NR
JP MORGAN CHASE & CO	1.2%	A / A / AA
KEY BANK	0.7%	BBB / Baa / BBB
LOWE'S COMPANIES INC	0.2%	BBB / Baa / NR
McKesson Corp	0.2%	BBB / A / A
MIZUHO FINANCIAL GROUP INC.	0.6%	A / A / NR
MORGAN STANLEY	2.6%	A / A / A
NATIONAL AUSTRALIA BANK LTD	0.7%	AA / Aa / NR
NATIONAL BANK OF CANADA	1.2%	BBB / A / A
NATIONAL RURAL UTILITIES CO FINANCE CORP	0.6%	A / A / A
NORTHROP GRUMMAN CORP	0.2%	BBB / Baa / BBB
NUCOR CORP	0.6%	A / Baa / A
PACCAR FINANCIAL CORP	0.3%	A / A / NR
RABOBANK NEDERLAND	1.1%	A / Aa / AA
ROYAL BANK OF CANADA	1.7%	A / A / AA

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

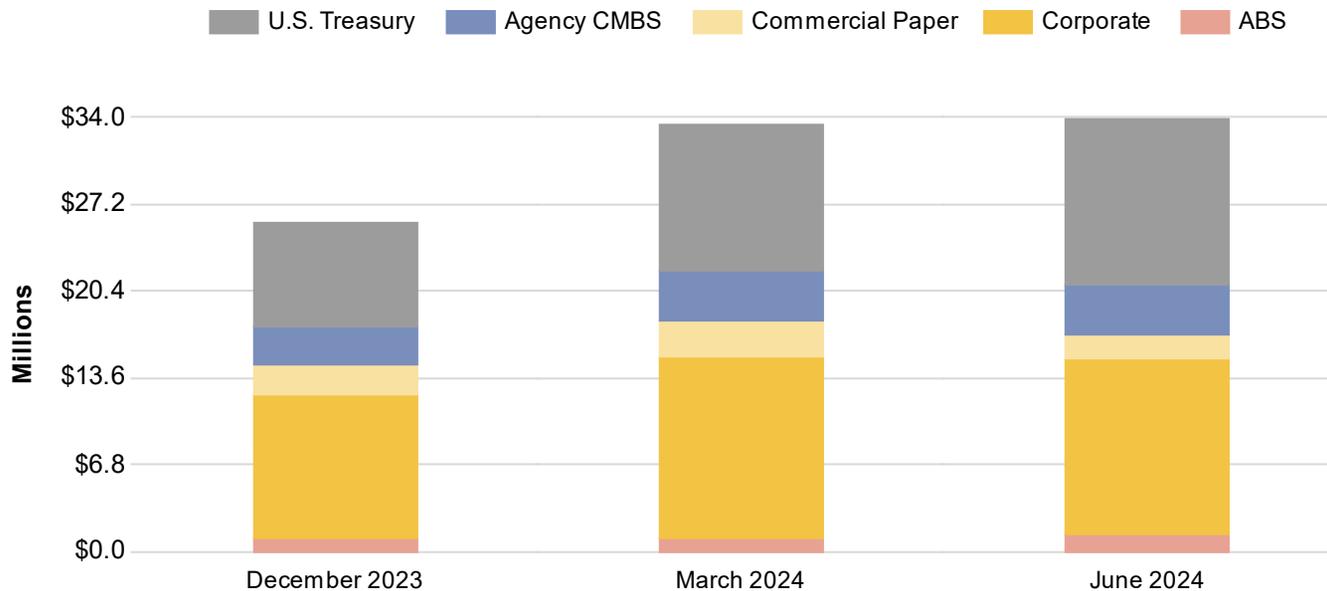
Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	40.8%	
S&P GLOBAL INC	0.2%	NR / A / A
STARBUCKS CORP	0.5%	BBB / Baa / NR
STATE STREET CORPORATION	0.8%	A / A / AA
SUMITOMO MITSUI FINANCIAL GROUP INC	1.2%	A / A / NR
THE BANK OF NEW YORK MELLON CORPORATION	2.3%	A / A / AA
TORONTO-DOMINION BANK	0.6%	A / A / AA
TOYOTA MOTOR CORP	0.6%	A / A / A
Trane Technologies PLC	0.4%	BBB / A / NR
UBS AG	0.6%	A / Aa / A
VERIZON COMMUNICATIONS	0.4%	BBB / Baa / A
WELLS FARGO & COMPANY	1.8%	BBB / A / A
WESTPAC BANKING CORP	1.5%	AA / Aa / NR
ABS	3.9%	
AMERICAN EXPRESS CO	0.7%	AAA / NR / AAA
CAPITAL ONE FINANCIAL CORP	0.7%	AAA / NR / AAA
CNH EQUIPMENT TRUST	0.7%	NR / Aaa / AAA
DISCOVER FINANCIAL SERVICES	1.0%	NR / Aaa / AAA
WORLD OMNI AUTO REC TRUST	0.7%	AAA / NR / AAA
Total	100.0%	

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Sector Allocation Review - CITY OF MILFORD, DELAWARE

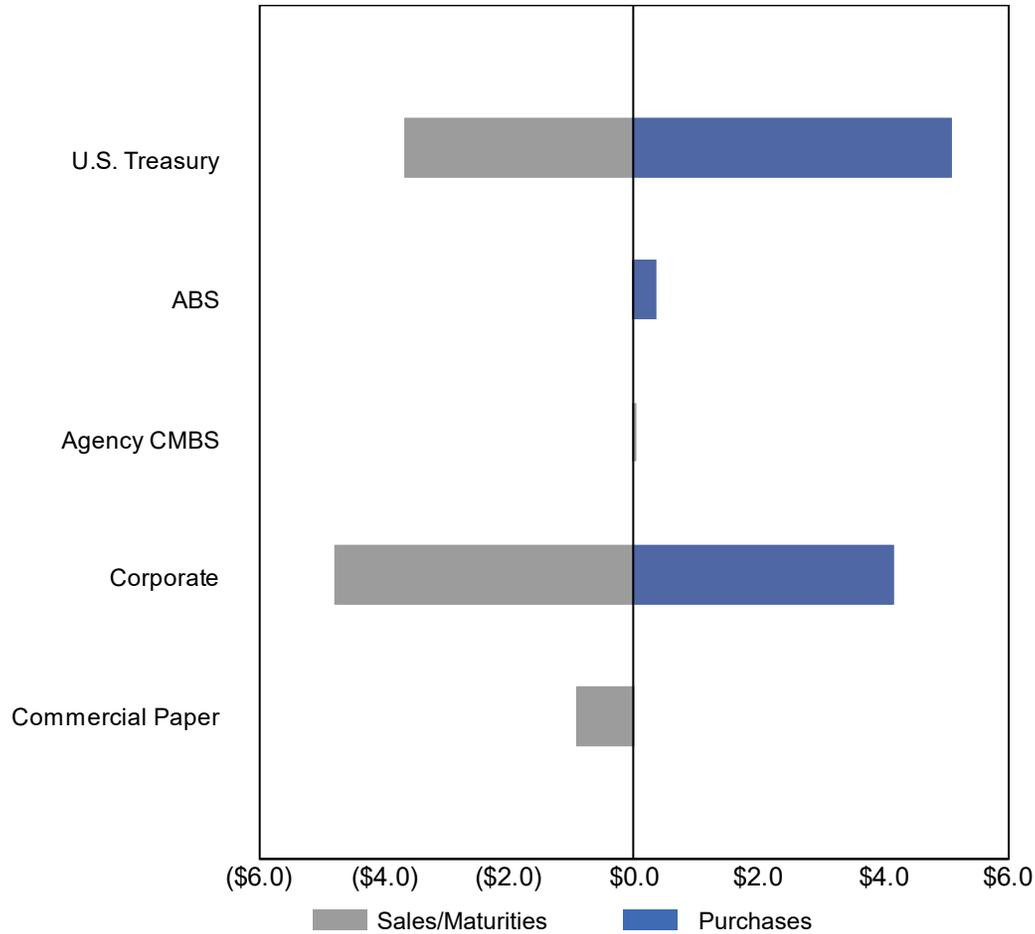
Security Type	Dec-23	% of Total	Mar-24	% of Total	Jun-24	% of Total
U.S. Treasury	\$8.2	31.9%	\$11.4	34.2%	\$13.0	38.3%
Agency CMBS	\$2.9	11.3%	\$3.9	11.5%	\$3.8	11.3%
Commercial Paper	\$2.3	9.0%	\$2.9	8.5%	\$2.0	5.9%
Corporate	\$11.3	44.0%	\$14.3	42.9%	\$13.7	40.6%
ABS	\$1.0	3.8%	\$1.0	2.9%	\$1.3	3.9%
Total	\$25.8	100.0%	\$33.4	100.0%	\$33.8	100.0%



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

Portfolio Activity - CITY OF MILFORD, DELAWARE

Net Activity by Sector
(\$ millions)

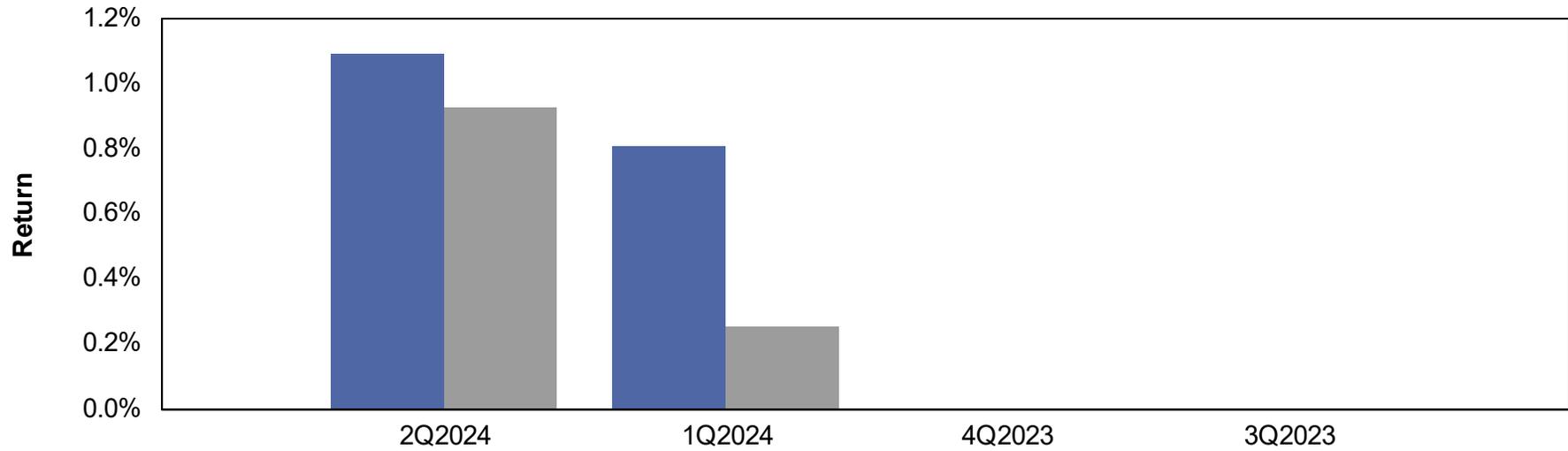


Sector	Net Activity
U.S. Treasury	\$1,425,306
ABS	\$336,611
Agency CMBS	(\$16,055)
Corporate	(\$637,681)
Commercial Paper	(\$900,000)
Total Net Activity	\$208,181

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

Portfolio Performance

■ Portfolio ■ Benchmark



Total Return ²	2Q2024	1Q2024	4Q2023	3Q2023
Portfolio	1.09%	0.81%	-	-
Benchmark ³	0.93%	0.25%	-	-
Difference	0.16%	0.55%	-	-

1. Returns are presented on a periodic basis.

2. The portfolio's benchmark is the ICE BofA 0-5 Year U.S. Treasury Index. Source: Bloomberg.

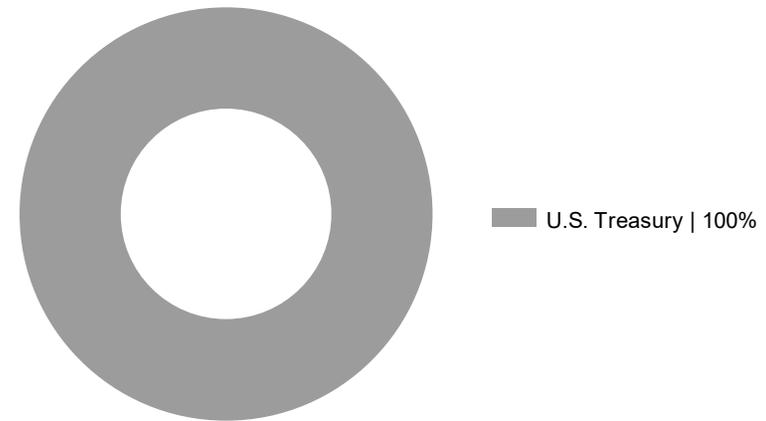
Portfolio Review:
CITY OF MILFORD CASHFLOW ACCOUNT

Portfolio Snapshot - CITY OF MILFORD CASHFLOW ACCOUNT¹

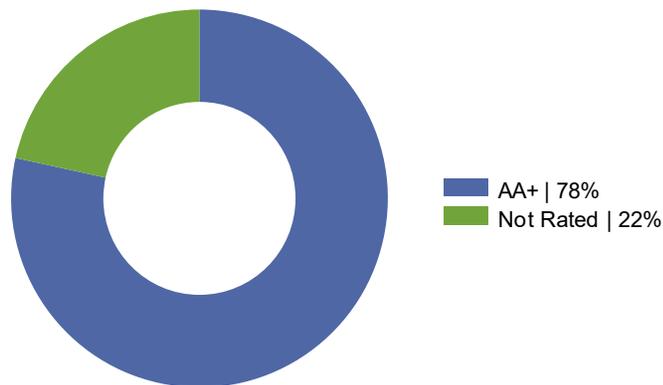
Portfolio Statistics

Total Market Value	\$4,902,320.69
<i>Securities Sub-Total</i>	\$4,902,147.08
<i>Accrued Interest</i>	\$173.61
<i>Cash</i>	\$0.00
Portfolio Effective Duration	3.18 years
Yield At Cost	4.93%
Yield At Market	4.84%
Portfolio Credit Quality	AA

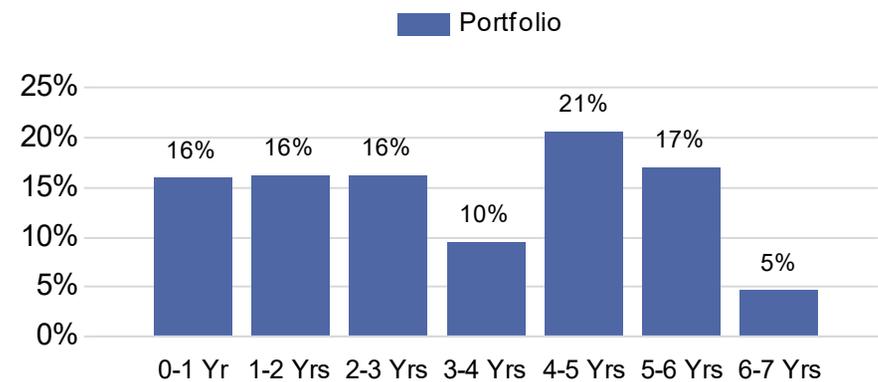
Sector Allocation



Credit Quality - S&P



Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

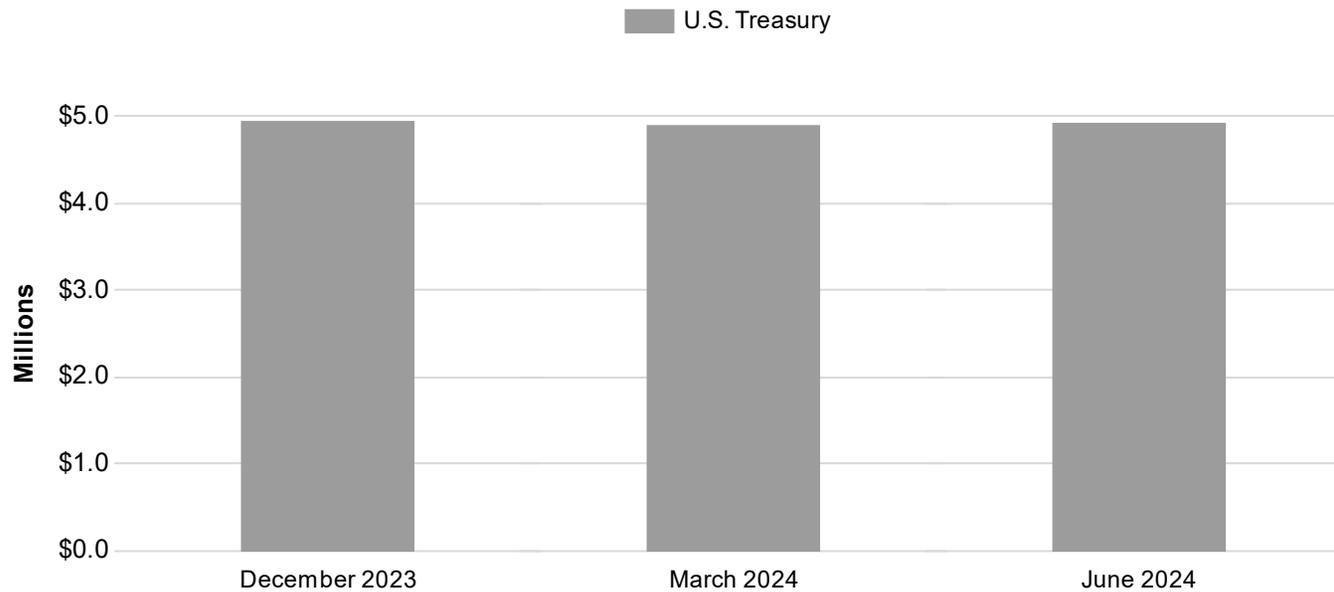
Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	100.0%	
UNITED STATES TREASURY	100.0%	AA / Aaa / AA
Total	100.0%	

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Sector Allocation Review - CITY OF MILFORD CASHFLOW ACCOUNT

Security Type	Dec-23	% of Total	Mar-24	% of Total	Jun-24	% of Total
U.S. Treasury	\$4.9	100.0%	\$4.9	100.0%	\$4.9	100.0%
Total	\$4.9	100.0%	\$4.9	100.0%	\$4.9	100.0%



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

Important Disclosures

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- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.