

CITY OF MILFORD
FINANCE & AUDIT COMMITTEE MINUTES
July 22, 2024

The Finance and Audit Committee of the Milford City Council met on Monday, July 22, 2024 in the Joseph Ronnie Rogers Council Chambers at Milford City Hall, 201 South Walnut Street, Milford, Delaware.

PRESIDING: Chairman Jason James Sr.

IN ATTENDANCE: Committee Members:
Councilpersons Daniel Marabello, Nirmala Samaroo, and Lori Connor

STAFF: City Manager Mark Whitfield, Finance Director Lou Vitola and City Clerk Katrina White

Public Comment Period Prior to Official Meeting

No one was signed up to speak and the floor was closed to public comments.

Call to Order

Chairman James called the Committee Meeting to order at 5:04 p.m. followed by a review of the agenda items.

Investment Update

Finance Director Lou Vitola reported that the investments are turning out returns and performance better than expectations, and PFM, as a partner was instrumental in helping put forth the expected interest income for Fiscal 25. They were started as conservatively as possible, but they are stronger than ever. He then introduced Zach O'Grady from PFM Asset Management.

Mr. O'Grady reported that it's a good quarter for each investment portfolio. Rates gravitated slightly higher over the quarter. The average purchase yield of the portfolio is 5.2 4%. The 2-year treasury has gravitated lower since purchasing the portfolio.

He then reviewed the Quarterly Market Summary that was included in the packet. The quarter ended just over \$34 million. When all of the investments are summed up there is an average maturity of about 1.3 years. A 0–5-year Treasury Benchmark is being used and has a duration of 2 years so as rates rise the portfolio is performing better than that of the benchmark, because it has less interest rate sensitivity. The portfolio is intentionally short of that benchmark because it is designed to meet the city's distinct cash flow needs.

He explained that safety is the utmost priority with the investments for the city, liquidity, making sure you have funds available to pay the bills and not selling securities unnecessarily early. These are highly liquid securities and they can be sold if needed. But to in an effort to, in the current rate environment, preserve the income amidst the backdrop of a Federal Reserve that might have been easing rates over the past couple of years or will over the next couple of years, it's important to keep frequent dialogue going such that if you can deploy funds with the first two priorities met, we do so.

Mr. O'Grady reported that performance for the first quarter of the calendar year and the second quarter is just over 1%. The quarter versus the benchmark was at .93% as rates rose ever so slightly over the quarter. The intentional, shorter duration posture versus the benchmark helped from a performance perspective. What also helped was some spread tightening. Holding those corporate investments and holding commercial paper as spreads tighten, those investments exhibit outperformance versus an all Treasury Benchmark. That was additive over the quarter. In closing, he stated that they will be showing on future reports, since inception performance, and that will be annualized performance since investing this investment portfolio on behalf of the city.

With no further business, Chairman James moved to adjourn the Finance and Audit Committee meeting at 5:29 p.m.

Respectfully submitted,

Katrina L. White, MMC
City Clerk/Recorder