



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

CITY COUNCIL AGENDA January 27, 2025

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Call 301 715 8592 Webinar ID: 922 0747 0768

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 Review

FY25 Audit Services²

2025 Auditor Selection

Solid Waste Rate Study Report Overview¹

Adjournment

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

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NO LATER THAN ONE WEEK PRIOR TO MEETING; NO PAPER DOCUMENTS WILL BE ACCEPTED OR DISTRIBUTED
AFTER PACKET HAS BEEN POSTED ON THE CITY OF MILFORD WEBSITE.**

011625

¹ 012225 Late Addition by Finance Director

² 012525 Late Addition by Finance Director



CITY OF MILFORD, DELAWARE

Investment Performance Review For the Quarter Ended December 31, 2024

Client Management Team

Zach O'Grady, Director
Marty Hammond, Managing Director
Kecia Vaughn, Key Account Manager

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Agenda

- Market Summary
- Account Summary
- Portfolio Review

Market Summary

Summary

- ▶ The fourth quarter of 2024 was characterized by an increase in yields and volatility as investors digested the potential impact of the new administration's policy proposals. Areas of focus include taxes, tariffs, immigration, and deregulation, which the market generally expects could result in more growth, larger budget deficits and higher inflation.
- ▶ The labor market continues to move into balance as layoffs remain contained and the pace of job creation remains steady. This trend continues to support the consumer and fuel economic growth. Inflation moved sideways during the quarter, and as a result the Federal Reserve (Fed) views the risks to its dual mandate – stable prices and full employment – as being “roughly in balance.”
- ▶ The Fed cut the overnight rate by 25 basis points (bps) (0.25%) at both its November and December meetings to bring the new target range to 4.25% - 4.50%. The Fed's updated “dot plot” implied only 50 bps of rate cuts in 2025, down from previous projections indicating a full percentage point of rate cuts in 2025. This revision, plus some pointed commentary from Fed officials, has resulted in the market generally expecting the Fed to pause rate cuts for some time.
- ▶ While sentiment remained positive in Q4 and continued to support risk asset valuations, the Fed's “higher for longer” narrative towards the end of the quarter caused Treasury yields beyond one year to rise while equity markets sold off from all-time highs. The NASDAQ still ended the quarter up 6.4% and the S&P 500 Index ended 2.4% higher, while the Dow Jones Industrial Average eked out a small 0.9% gain. For calendar year 2024, the S&P 500 returned 25%, driven in large part by the “Magnificent Seven,” which returned 67%.

Economic Snapshot

- ▶ U.S. inflation readings remained ‘sticky’ during the quarter and did not show progress in moving towards the Fed's 2% target. Shelter and housing components of inflation, which had been running higher than most other segments of the underlying data, began to move lower during the quarter. Core CPI remained at 3.3% annualized year-over-year during the quarter while headline CPI increased to 2.7% after ending Q3 at 2.4%.
- ▶ U.S. real gross domestic product (GDP) growth continued its upward trajectory in Q3, with final estimates showing growth of 3.1%. Personal consumption remained exceptionally strong and grew at the fastest pace in 18 months.
- ▶ The U.S. labor market continued to show strength with 511,000 jobs added in Q4 compared to 477,000 in Q3. Additionally, the unemployment rate ended the quarter at 4.1%, which is 0.4% higher than the calendar year low of 3.7%, but still near historic lows. Layoff rates continue to remain near multi-year lows and jobless claims also remain below their long-term averages while the pace of wage growth has stabilized.

Interest Rates

- ▶ U.S. Treasury yields moved higher in response to policy proposals that are generally expected to be inflationary. Additionally, the Fed continued with rate cuts cutting a total of 100 bps in 2024. While the Fed cut rates at both November and December meetings, guidance pointed towards fewer cuts occurring at a slower pace than previously anticipated.
- ▶ Both fiscal and monetary expectations steepened the Treasury curve, with the yield on the 2-, 5-, and 10-year Treasuries ending the quarter at 4.24%, 4.38%, and 4.57%. This represents increases of 60, 82, and 79 bps, respectively. The 3-month Treasury, heavily influenced by the Fed, moved 30 bps lower, ending the quarter at 4.31%.
- ▶ As a result of higher yields, U.S. Treasury indexes generated negative total returns for the quarter. The ICE BofA 2-, 5-, and 10-year U.S. Treasury indices returned -0.20%, -2.72%, and -5.22% for the quarter, while the shorter-duration ICE BofA 3-month U.S. Treasury index returned 1.16%.

Sector Performance

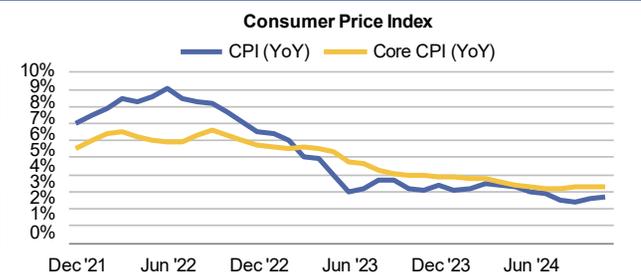
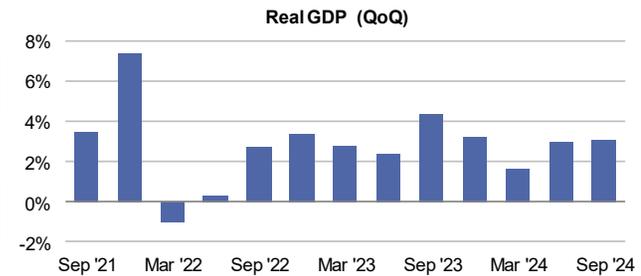
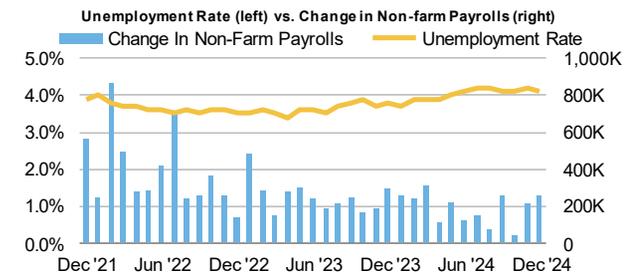
- ▶ Strong investor demand pushed spreads tighter across most investment grade sectors throughout Q4, resulting in firmly positive excess returns on corporates and asset-backed securities.
- ▶ Federal agency & supranational spreads remained low and range bound throughout Q4. These sectors produced muted excess returns as issuance was light and incremental income is minimal.
- ▶ Investment-grade (IG) corporates posted another strong relative quarter as robust investor demand continued while issuance slowed into year-end. Yield spreads tightened further toward multi-year tights. Lower-quality and longer-duration issuers generated stronger excess returns in Q4. Financial issuers led most other industries across much of the yield curve.
- ▶ Asset-backed securities (ABS) spreads are tighter than their historical average while underlying technicals remain strong. Cross-sector spreads have shifted notably, as ABS spreads tightened substantially through year-end and now trade through corporates. As a result, ABS was a top performer in Q4.
- ▶ Mortgage-backed securities (MBS) were hurt by rising rates and heightened volatility. After an exceptionally strong Q3, agency MBS underperformed Treasuries in Q4. On the other hand, well-structured Agency commercial MBS (CMBS) performed better and saw positive excess returns.
- ▶ Short-term credit (commercial paper and negotiable bank CDs) yields fell in response to the Fed rate cuts, but the money market yield curve steepened on prospects for “higher for longer.” Yield spreads also widened over the quarter by 10-15 bps across most of the money market curve.

Economic Snapshot

Labor Market	Latest	Sep '24	Dec '23
Unemployment Rate	Dec'24	4.1%	3.8%
Change In Non-Farm Payrolls	Dec'24	256,000	290,000
Average Hourly Earnings (YoY)	Dec'24	3.9%	4.3%
Personal Income (YoY)	Nov'24	5.3%	5.2%
Initial Jobless Claims (week)	1/4/25	201,000	198,000

Growth	Latest	Sep '24	Dec '23	
Real GDP (QoQ SAAR)	2024Q3	3.1%	3.0% ¹	4.4% ²
GDP Personal Consumption (QoQ SAAR)	2024Q3	3.7%	2.8% ¹	2.5% ²
Retail Sales (YoY)	Nov'24	3.8%	2.0%	5.5%
ISM Manufacturing Survey (month)	Dec'24	49.3	47.2	47.1
Existing Home Sales SAAR (month)	Nov'24	4.15 mil.	3.83 mil.	3.88 mil.

Inflation/Prices	Latest	Sep '24	Dec '23	
Personal Consumption Expenditures (YoY)	Nov'24	2.4%	2.1%	2.7%
Consumer Price Index (YoY)	Nov'24	2.7%	2.4%	3.4%
Consumer Price Index Core (YoY)	Nov'24	3.3%	3.3%	3.9%
Crude Oil Futures (WTI, per barrel)	Dec 31	\$71.72	\$68.17	\$71.65
Gold Futures (oz.)	Dec 31	\$2,641	\$2,636	\$2,072



1. Data as of Second Quarter 2024.

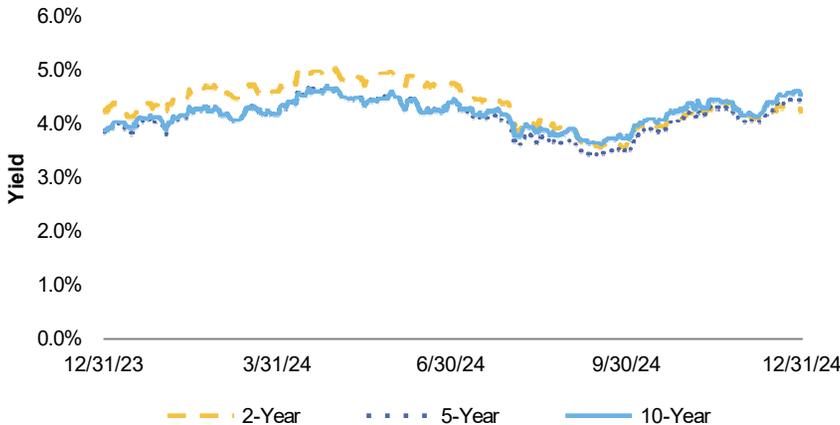
2. Data as of Third Quarter 2023.

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

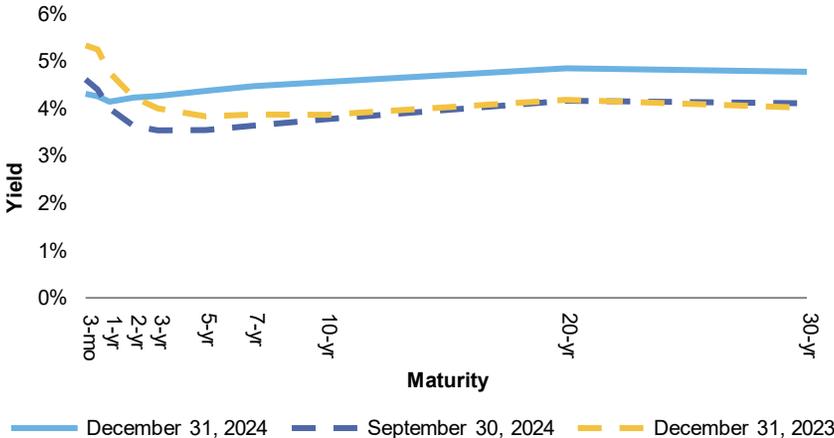
Source: Bloomberg.

Interest Rate Overview

U.S. Treasury Note Yields



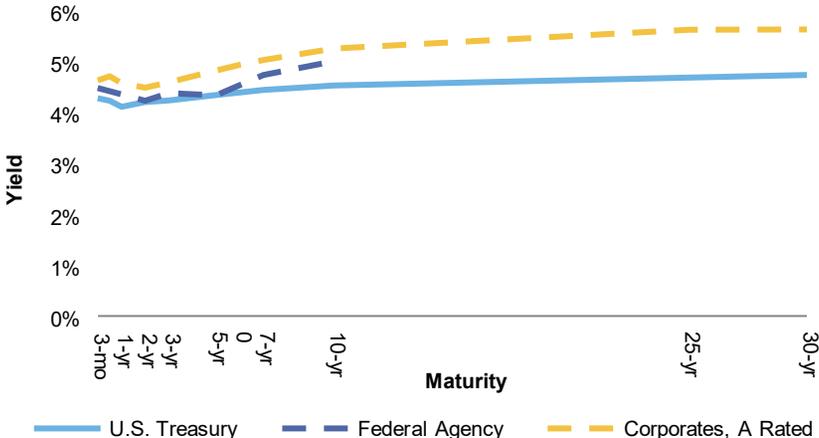
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Dec '24	Sep '24	Change over Quarter	Dec '23	Change over Year
3-Month	4.32%	4.63%	(0.31%)	5.34%	(1.02%)
1-Year	4.15%	4.01%	0.14%	4.77%	(0.62%)
2-Year	4.24%	3.64%	0.60%	4.25%	(0.01%)
5-Year	4.38%	3.56%	0.82%	3.85%	0.53%
10-Year	4.57%	3.78%	0.79%	3.88%	0.69%
30-Year	4.78%	4.12%	0.66%	4.03%	0.75%

Yield Curves as of December 31, 2024



Source: Bloomberg.

ICE BofA Index Returns

December 31, 2024	As of 12/31/2024		Returns for Periods ended 12/31/2024		
	Duration	Yield	3 Month	1 Year	3 Years
1-3 Year Indices					
U.S. Treasury	1.81	4.26%	(0.06%)	4.08%	1.49%
Federal Agency	1.57	4.28%	0.25%	4.31%	1.67%
U.S. Corporates, A-AAA rated	1.78	4.74%	0.11%	5.14%	2.24%
Agency MBS (0 to 3 years)	1.98	4.80%	(0.07%)	4.33%	1.25%
Taxable Municipals	1.85	4.57%	0.11%	4.80%	2.01%
1-5 Year Indices					
U.S. Treasury	2.54	4.30%	(0.77%)	3.41%	0.73%
Federal Agency	2.00	4.28%	(0.13%)	3.98%	1.05%
U.S. Corporates, A-AAA rated	2.48	4.84%	(0.47%)	4.81%	1.54%
Agency MBS (0 to 5 years)	3.47	4.97%	(0.87%)	3.84%	0.39%
Taxable Municipals	2.49	4.63%	(0.41%)	4.07%	1.26%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.04	4.47%	(3.34%)	0.51%	(3.10%)
Federal Agency	3.42	4.41%	(1.21%)	3.19%	(0.21%)
U.S. Corporates, A-AAA rated	6.59	5.18%	(3.13%)	2.06%	(2.32%)
Agency MBS (0 to 30 years)	5.67	5.28%	(3.18%)	1.33%	(2.13%)
Taxable Municipals	8.79	5.41%	(4.32%)	0.26%	(4.65%)

Returns for periods greater than one year are annualized.

Source: ICE BofA Indices.

Disclosures

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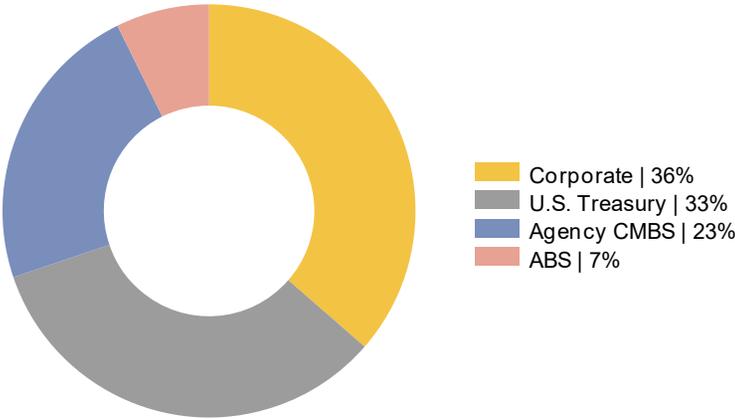
Portfolio Review:
CITY OF MILFORD, DELAWARE

Portfolio Snapshot - CITY OF MILFORD, DELAWARE¹

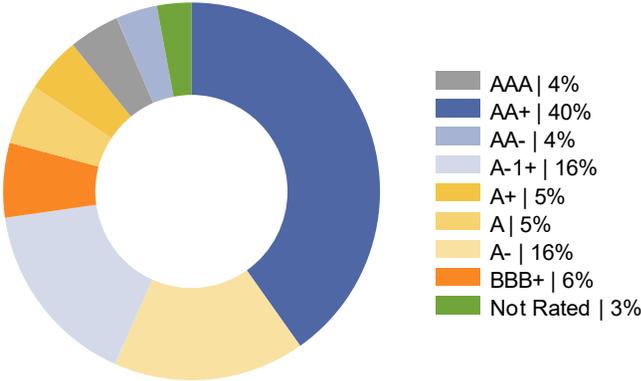
Portfolio Statistics

Total Market Value	\$35,833,281.59
<i>Securities Sub-Total</i>	\$34,310,056.29
<i>Accrued Interest</i>	\$173,074.50
<i>Cash</i>	\$1,350,150.80
Portfolio Effective Duration	1.71 years
Benchmark Effective Duration	2.04 years
Yield At Cost	4.57%
Yield At Market	4.69%
Portfolio Credit Quality	AA

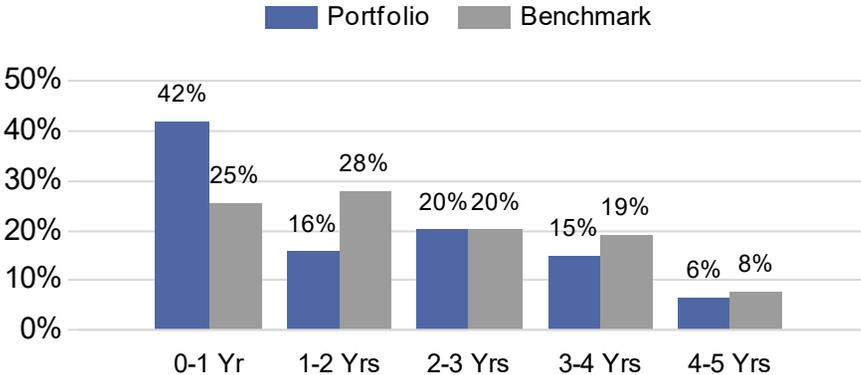
Sector Allocation



Credit Quality - S&P



Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 0-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP. 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	33.3%	
United States Treasury	33.3%	AA / Aa / AA
Agency CMBS	22.9%	
Federal Home Loan Mortgage Corp	20.4%	AA / Aaa / AA
Federal National Mortgage Association	2.4%	AA / Aaa / AA
Corporate	36.5%	
AbbVie Inc	0.5%	A / A / NR
Accenture PLC	0.3%	AA / Aa / A
American Express Co	0.4%	A / A / A
Analog Devices Inc	0.3%	A / A / A
AstraZeneca PLC	0.3%	A / A / A
Baker Hughes Co	0.5%	A / A / NR
Bank of America Corp	2.9%	A / A / AA
Bank of Montreal	0.3%	A / A / AA
Bank of New York Mellon Corp	1.2%	A / Aa / AA
Bank of Nova Scotia	0.6%	A / A / AA
Boston Scientific Corp	0.2%	BBB / Baa / BBB
BP PLC	0.7%	A / A / A
Bristol-Myers Squibb Co	0.7%	A / A / NR
Canadian Imperial Bank of Commerce	0.7%	A / A / AA
Citigroup Inc	1.1%	A / A / A
Comcast Corp	0.3%	A / A / A
Cooperatieve Rabobank UA	1.1%	A / Aa / AA
Deere & Co	0.3%	A / A / A
Estee Lauder Cos Inc	0.5%	A / A / NR
Goldman Sachs Group Inc	0.8%	BBB / A / A
Honda Motor Co Ltd	0.7%	A / A / NR

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	36.5%	
Honeywell International Inc	0.7%	A / A / A
Hormel Foods Corp	0.2%	A / A / NR
HSBC Holdings PLC	1.5%	A / A / A
JPMorgan Chase & Co	1.2%	A / A / AA
KeyCorp	0.7%	BBB / Baa / BBB
Lloyds Banking Group PLC	1.5%	BBB / A / A
Lowe's Cos Inc	0.2%	BBB / Baa / NR
Mizuho Financial Group Inc	2.0%	A / A / NR
Morgan Stanley	3.1%	A / Aa / AA
National Australia Bank Ltd	0.7%	AA / Aa / AA
National Bank of Canada	1.9%	BBB / A / A
National Rural Utilities Cooperative Fi	0.6%	A / A / A
Northrop Grumman Corp	0.2%	BBB / Baa / BBB
Nucor Corp	0.6%	A / Baa / A
PACCAR Inc	0.3%	A / A / NR
PNC Financial Services Group Inc	1.0%	A / A / A
Royal Bank of Canada	0.6%	A / A / AA
State Street Corp	1.0%	AA / Aa / AA
Toronto-Dominion Bank	0.8%	A / A / AA
Toyota Motor Corp	0.8%	A / A / A
Waste Management Inc	0.5%	A / A / A
Wells Fargo & Co	0.6%	BBB / A / A
Westpac Banking Corp	1.5%	AA / Aa / NR
ABS	7.3%	
American Express Co	0.7%	AAA / NR / AAA
Capital One Financial Corp	1.7%	AAA / Aaa / AAA

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.

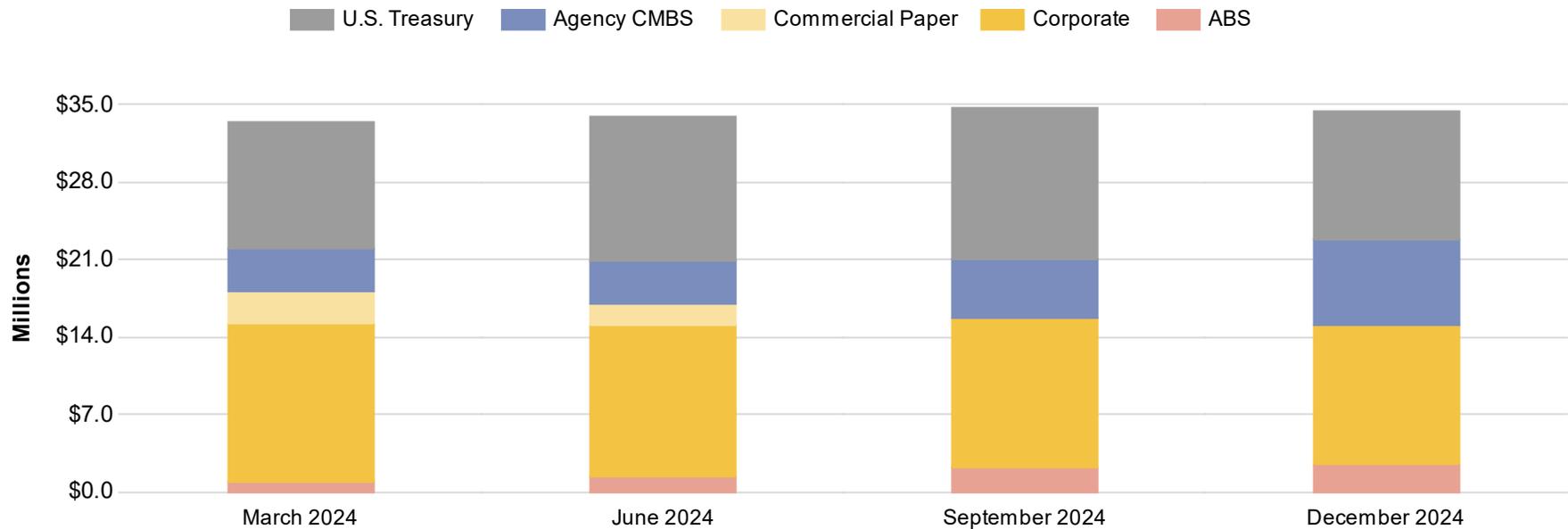
Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
ABS	7.3%	
CNH Equipment Trust	0.6%	NR / Aaa / AAA
Discover Card Execution Note Trust	1.0%	NR / Aaa / AAA
Harley-Davidson Inc	1.0%	NR / Aaa / AAA
Honda Auto Receivables Owner Trust	0.6%	AAA / Aaa / NR
Nissan Auto Receivables Owner Trust	0.4%	NR / Aaa / AAA
World Omni Auto Trust	1.3%	AAA / NR / AAA
Total	100.0%	

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.

Sector Allocation Review - CITY OF MILFORD, DELAWARE

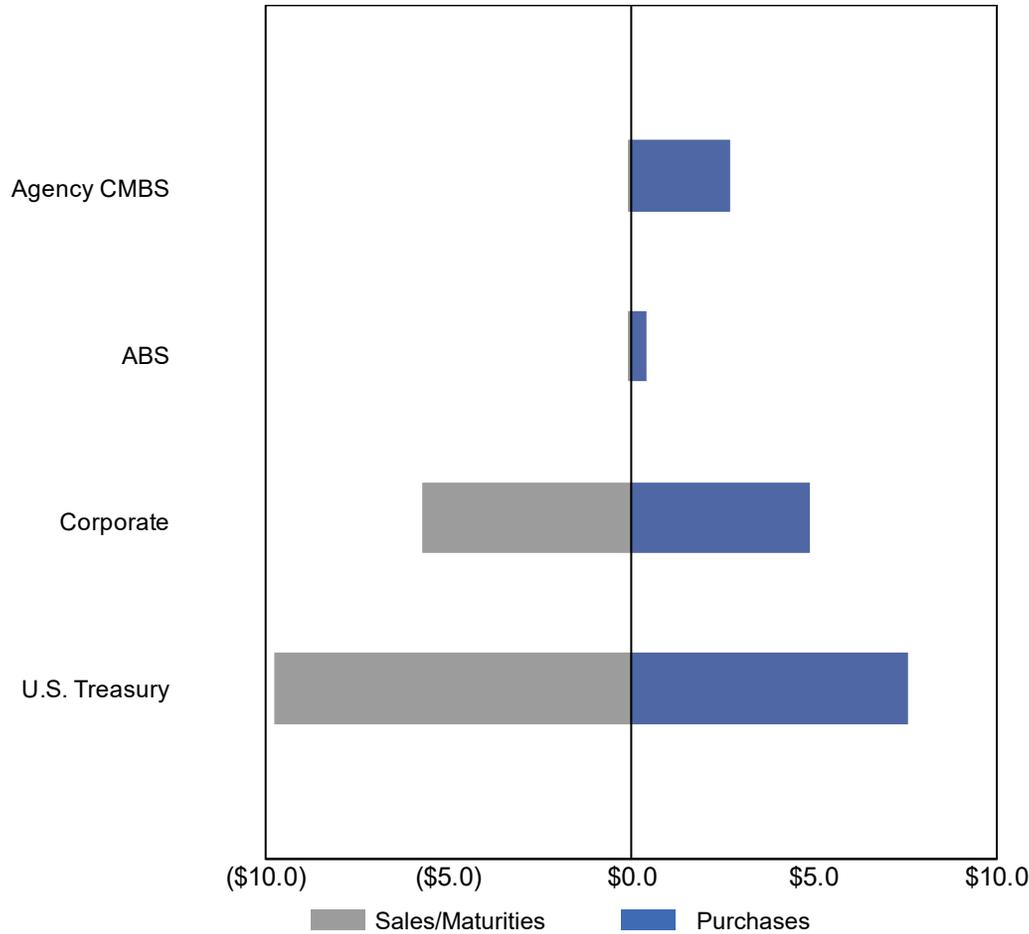
Security Type	Mar-24	% of Total	Jun-24	% of Total	Sep-24	% of Total	Dec-24	% of Total
U.S. Treasury	\$11.4	34.2%	\$13.0	38.3%	\$13.6	39.3%	\$11.5	33.4%
Agency CMBS	\$3.9	11.5%	\$3.8	11.3%	\$5.4	15.5%	\$7.9	22.9%
Commercial Paper	\$2.9	8.5%	\$2.0	5.9%	\$0.0	0.0%	\$0.0	0.0%
Corporate	\$14.3	42.9%	\$13.7	40.6%	\$13.5	38.8%	\$12.5	36.4%
ABS	\$1.0	2.9%	\$1.3	3.9%	\$2.2	6.4%	\$2.5	7.3%
Total	\$33.4	100.0%	\$33.8	100.0%	\$34.7	100.0%	\$34.3	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)

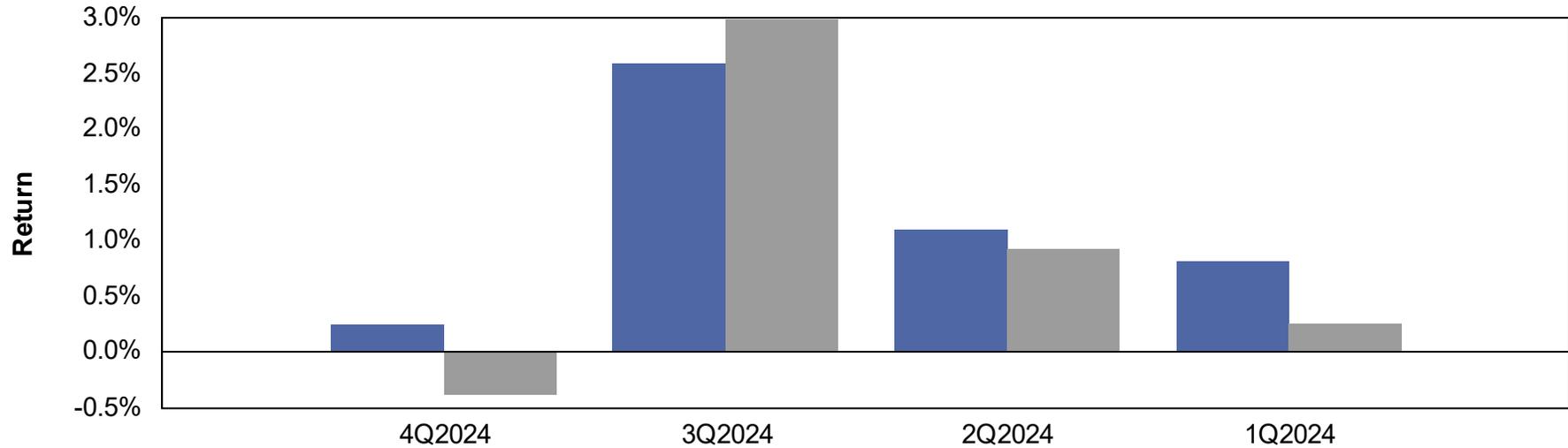


Sector	Net Activity
Agency CMBS	\$2,567,925
ABS	\$281,104
Corporate	(\$860,242)
U.S. Treasury	(\$2,205,896)
Total Net Activity	(\$217,109)

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



Market Value Basis Earnings	4Q2024	3Q2024	2Q2024	1Q2024
Interest Earned ¹	\$269,534	\$239,071	\$218,441	\$212,243
Change in Market Value	(\$185,318)	\$637,303	\$150,073	\$33,831
Total Dollar Return	\$84,216	\$876,374	\$368,514	\$246,074
Total Return²				
Portfolio	0.24%	2.58%	1.09%	0.81%
Benchmark ³	-0.37%	2.99%	0.93%	0.25%
Difference	0.61%	-0.40%	0.16%	0.55%

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Returns are presented on a periodic basis.

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

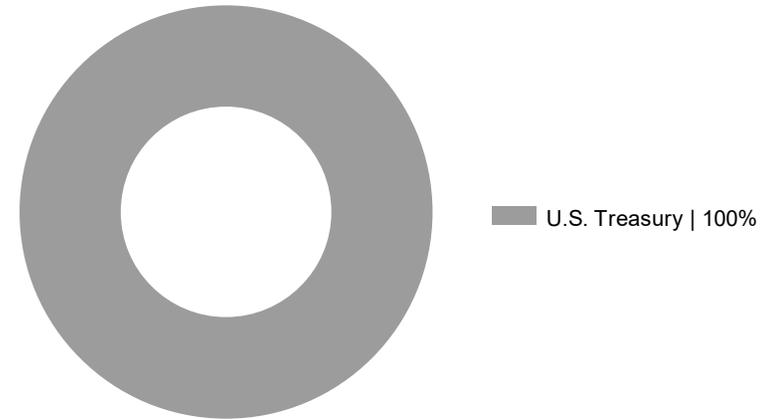
Portfolio Review:
CITY OF MILFORD CASHFLOW ACCOUNT

Portfolio Snapshot - CITY OF MILFORD CASHFLOW ACCOUNT¹

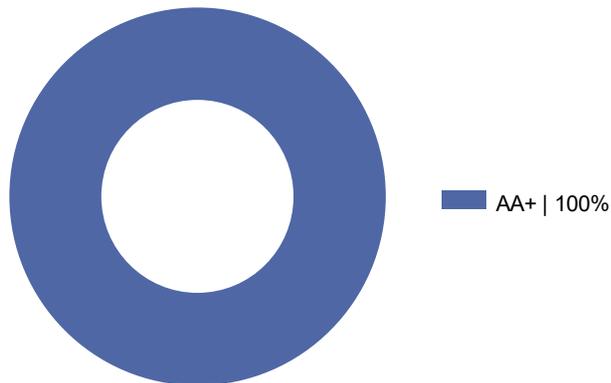
Portfolio Statistics

Total Market Value	\$4,181,493.82
<i>Securities Sub-Total</i>	\$4,181,355.96
<i>Accrued Interest</i>	\$137.86
<i>Cash</i>	\$0.00
Portfolio Effective Duration	3.57 years
Yield At Cost	4.64%
Yield At Market	4.43%
Portfolio Credit Quality	AA

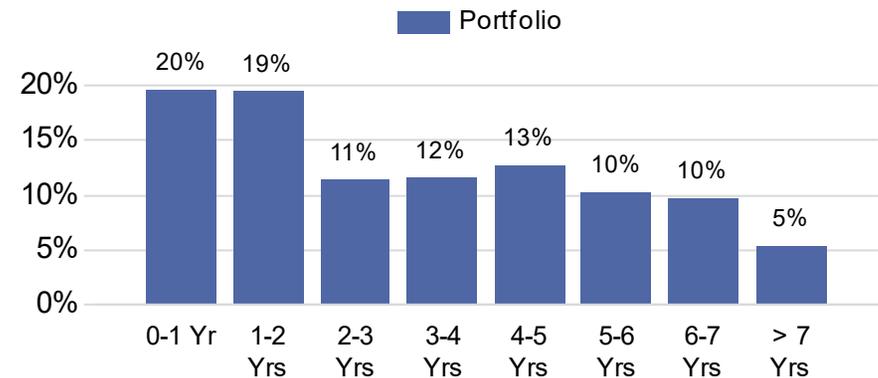
Sector Allocation



Credit Quality - S&P



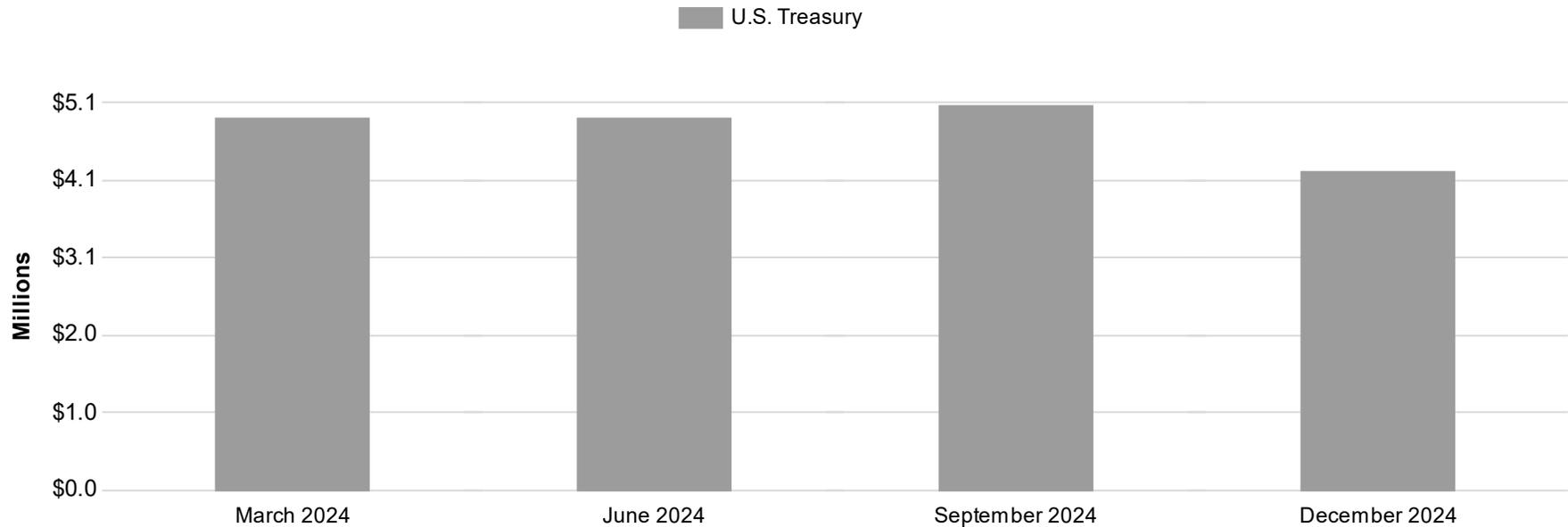
Duration Distribution



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.

Sector Allocation Review - CITY OF MILFORD CASHFLOW ACCOUNT

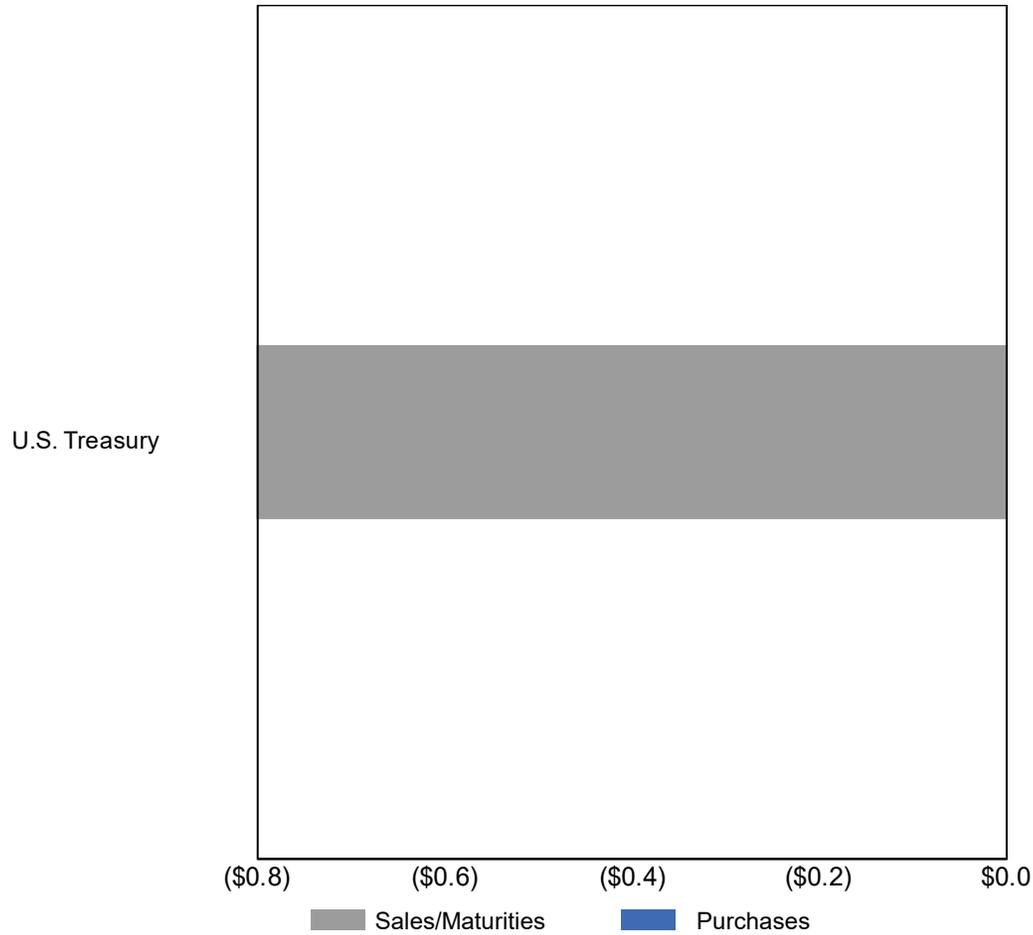
Security Type	Mar-24	% of Total	Jun-24	% of Total	Sep-24	% of Total	Dec-24	% of Total
U.S. Treasury	\$4.9	100.0%	\$4.9	100.0%	\$5.1	100.0%	\$4.2	100.0%
Total	\$4.9	100.0%	\$4.9	100.0%	\$5.1	100.0%	\$4.2	100.0%



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 CASHFLOW ACCOUNT

Net Activity by Sector
(\$ millions)



Sector	Net Activity
U.S. Treasury	(\$799,000)
Total Net Activity	(\$799,000)

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

Important Disclosures

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- ICE Bank of America Indices provided by Bloomberg Financial Markets.
- 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.

City of Milford

Earnings Projection FY 2025

January 15, 2025

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Core Portfolio – FY 2025

Date	Earnings Rate	Assumed Reinvestment Rate	Accrual Basis Portfolio Fixed Earnings
1/31/2025	4.54%	4.30%	132,116
2/28/2025	4.53%	4.31%	119,019
3/31/2025	4.53%	4.32%	131,772
4/30/2025	4.53%	4.33%	127,521
5/31/2025	4.52%	4.34%	131,581
6/30/2025	4.50%	4.35%	126,852
7/31/2025	4.49%	4.36%	130,666
8/31/2025	4.48%	4.37%	130,453
9/30/2025	4.48%	4.38%	126,170
10/31/2025	4.47%	4.39%	130,080
11/30/2025	4.47%	4.39%	125,883
12/31/2025	4.47%	4.40%	130,080
Total Earnings FY 2025			1,542,193

1. Projected portfolio earnings based on portfolio balances as of 12/31/24 and assume constant rebalancing and reinvestment of maturities at the "Assumed Reinvestment Rate" for that particular month.
2. Reinvestment rates based on the 2-Year Treasury Fed Funds Forward Rate Curve as of December 31, 2024.
3. Projected earnings assume no sales or realized gains/losses.
4. Accrual basis earnings are projected and could vary significantly in the future.



Cash Flow Account – FY 2025

Date	Earnings Rate	Assumed Reinvestment Rate	Accrual Basis Portfolio Fixed Earnings
1/31/2025	4.64%	4.30%	16,492
2/28/2025	4.64%	4.31%	14,896
3/31/2025	4.64%	4.32%	16,492
4/30/2025	4.64%	4.33%	15,960
5/31/2025	4.64%	4.34%	16,492
6/30/2025	4.64%	4.35%	15,960
7/31/2025	4.64%	4.36%	16,492
8/31/2025	4.64%	4.37%	16,492
9/30/2025	4.64%	4.38%	15,960
10/31/2025	4.64%	4.39%	16,492
11/30/2025	4.64%	4.39%	15,960
12/31/2025	4.56%	4.40%	16,184
Total Earnings FY 2025			193,869

1. Projected portfolio earnings based on portfolio balances as of 12/31/24 and assume constant rebalancing and reinvestment of maturities at the "Assumed Reinvestment Rate" for that particular month.
2. Reinvestment rates based on the 2-Year Treasury Fed Funds Forward Rate Curve as of December 31, 2024.
3. Projected earnings assume no sales or realized gains/losses.
4. Accrual basis earnings are projected and could vary significantly in the future.



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Milford DE

Solid Waste Financial Projection Study

January 22, 2025



Submitted Respectfully by:

Dawn Lund, Vice President
Utility Financial Solutions, LLC
dlund@ufswest.com
(231) 218-9664



January 22, 2025

Mr. Louis Vitola, Finance Director
10 SE 2nd St.
Milford, DE 19963

Dear Mr. Vitola,

We are pleased to present this executive summary report for a financial projection completed for the City of Milford Solid Waste Department. This report was prepared to provide the utility with a comprehensive examination of its existing financials by an outside party.

The specific purposes of this long-term financial projection and rate study are:

- 1) Determine solid waste utility's revenue requirements for fiscal year 2025,
- 2) Project rate adjustments needed to meet targeted revenue requirements,
- 3) Develop retail rates.

This report includes results of the financial projection and identifies the 2025-2029 rate track of the Solid Waste Department. Specific findings included in this report are:

- 1) Rate adjustments that are based on the utilities ability to meet or work toward three factors listed below:
 - a. Debt Coverage Ratio
 - b. Minimum Cash Reserves
 - c. Optimal Net Income

This report is intended for information and use by management and the Board of Directors for the purposes stated above and is not intended to be used by anyone except the specified parties.

Sincerely,

A handwritten signature in black ink that reads "Dawn Lund". The signature is fluid and cursive, with a long horizontal stroke at the end.

Utility Financial Solutions, LLC
Dawn Lund
Vice President

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Utility Revenue Requirements

To determine revenue requirements for 2025, the revenues and expenses for Fiscal Year 2023; YTD 2024 and Budget 2024 were analyzed, with adjustments made to reflect projected operating characteristics.

Table One is the projected financial summary for the Solid Waste Department from 2025-2029 without rate adjustments. Operating income for 2025 is projected at a loss (\$58,819) and losses continue increase to (\$321,903) by 2029. The cash generated from operations is not sufficient to support the long-term projected maintenance and capital improvement program.

Table One – Financial Summary (without Rate Adjustments)

Fiscal Year	Projected Rate Adjustments	Capital Improvements Plan	Debt Coverage Ratio	Projected Expenses	Projected Revenues	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Targeted Minimum Cash
2025	0.0%	\$ 515,500	N/A	\$ 1,745,609	\$ 1,686,790	\$ (58,819)	\$ 33,000	\$ 105,574	\$ 546,116
2026	0.0%	-	N/A	1,859,739	1,686,790	(172,950)	33,000	115,543	571,716
2027	0.0%	-	N/A	1,916,570	1,686,790	(229,780)	33,000	68,732	609,683
2028	0.0%	-	N/A	1,961,960	1,686,790	(275,170)	33,000	(23,704)	620,875
2029	0.0%	-	N/A	2,008,693	1,686,790	(321,903)	33,000	(163,217)	656,352

Projected Cash Flow

Table Two is the projected cash flow for 2025-2029, including projections of capital improvements as provided by the Utility. Changes in the capital improvement plan can greatly affect the cash balance and minimum cash reserve target. Cash balances for 2025 are projected at \$105,574 and decline to (\$163,217) by 2029. The projected minimum target based on financial risk is \$600,000 throughout the projection period.

Table Two – Projected Cash Flows (without Rate Adjustments)

Description	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029
Projected Cash Flows					
Net Income	\$ (56,292)	\$ (172,422)	\$ (229,202)	\$ (274,826)	\$ (321,903)
Depreciation Expense/Amortization	172,081	182,391	182,391	182,391	182,391
Subtract Debt Principal	-	-	-	-	-
Add Bond Sale Proceeds	-	-	-	-	-
Cash Available from Operations	\$ 115,788	\$ 9,969	\$ (46,811)	\$ (92,436)	\$ (139,513)
Estimated Annual Capital Additions	515,500	-	-	-	-
Net Cash From Operations	\$ (399,712)	\$ 9,969	\$ (46,811)	\$ (92,436)	\$ (139,513)
Beginning Cash Balance	\$ 505,286	\$ 105,574	\$ 115,543	\$ 68,732	\$ (23,704)
Ending Cash Balance	\$ 105,574	\$ 115,543	\$ 68,732	\$ (23,704)	\$ (163,217)
Rate Funded Capital and Reserves	\$ 115,788	\$ 9,969	\$ (46,811)	\$ (92,436)	\$ (139,513)
Total Cash Available	\$ 105,574	\$ 115,543	\$ 68,732	\$ (23,704)	\$ (163,217)
Targeted Minimum	\$ 546,116	\$ 571,716	\$ 609,683	\$ 620,875	\$ 656,352

Projected Cash Balance does not meet targeted minimums throughout the projection period.

Minimum Cash Reserve

Table Three is the minimum level of cash reserves required to help ensure timely replacement of assets and to provide financial stability of the solid waste utility. The methodology used in this study is based on certain assumptions related to a percentage of operating expense, historical investment, capital improvements, and debt service to be kept in cash reserves. Minimum cash reserve attempts to quantify the minimum amount of cash the utility should keep in reserve and is considered at critical levels if cash approaches this minimum. Actual cash reserves may vary substantially above the minimum and is dependent on the life cycle of assets that are currently in service. The solid waste utility should maintain a minimum of \$600,000 in cash reserves based on the adopted methodology.

Table Three – Minimum Cash Reserves for 2025 – 2029

Description	Percent Allocated	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029
Calculated Minimum Cash Level						
Operation & Maintenance Less Depreciation Expense	24.7%	\$ 381,445	\$ 405,954	\$ 418,844	\$ 428,881	\$ 439,216
Landfill Expense	24.7%	37,617	38,708	39,830	40,985	42,174
Historical Rate Base	1%	23,954	23,954	47,908	47,908	71,863
Current Portion of Debt Service Reserve	83%	-	-	-	-	-
Five Year Capital Improvements - Net of debt proceeds	20%	103,100	103,100	103,100	103,100	103,100
Minimum Cash Reserve Levels		\$ 546,116	\$ 571,716	\$ 609,683	\$ 620,875	\$ 656,352
Projected Cash Reserves		\$ 105,574	\$ 115,543	\$ 68,732	\$ (23,704)	\$ (163,217)

Debt Coverage Ratio

The minimum targeted debt coverage ratio for prudent financial planning purposes is 1.45 for the outstanding revenue bonds on the solid waste system. Maintaining a 1.45 debt coverage ratio is good business practice and helps to achieve the following:

- a. Helps to ensure debt coverage ratios are met in years when sales are low due to cold or wet summers or loss of a major customer(s).
- b. Obtain higher bond rating, if revenue bonds are sold in the future, to lower interest cost.

Currently, the solid waste department does not hold debt.

Rate of Return

The optimal target for setting rates is the establishment of a target operating income to help ensure the following:

- 1) Funding of Interest Expense on the outstanding principal on debt. Interest expense is below the operating income line and needs to be recouped through the operating income balance.
- 2) Funding of the inflationary increase on the assets invested in the system. The inflation on the replacement of assets invested in the utility should be recouped through the Operating Income
- 3) Adequate rate of return on investment to help ensure current customers are paying their fair share of the use of the infrastructure and not deferring the charge to future generations.

The target established is \$33,000 and the utility is projected to operate at losses throughout the projection period.

Table Five - Rate of Return Calculation – (without Rate Adjustments)

Description	Percent Allocated	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029
Target Operating Income						
Interest on Debt	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
System Equity	4.00%	\$ 33,000	\$ 33,000	\$ 33,000	\$ 33,000	\$ 33,000
Target Operating Income		\$ 33,000	\$ 33,000	\$ 33,000	\$ 33,000	\$ 33,000
Projected Operating Income		\$ (58,819)	\$ (172,950)	\$ (229,780)	\$ (275,170)	\$ (321,903)
Rate of Return in %		2.6%	2.8%	2.9%	3.0%	3.2%

Projected Operating Income falls below minimum targets throughout the projection period.

SUMMARY OF FINANCIAL POSITION

Proposed Rate Track

Increasing rates requires balancing the financial health of the utility with the financial impact on customers. The rate track was designed after discussions with management to work towards targets, while keeping rate adjustments to a certain threshold to minimized rate impact to customers.

Table six below is the five-year financial projection with projected rate increases of 4.0% in 2025 – 2029. The rate track was developed to maintain operating income and debt coverage ratios. The rate track should be reviewed with the budget process as changes in expenses and capital can impact the rate track.

Table Six – Financial Summary with Proposed Rates

Fiscal Year	Projected Rate Adjustments	Capital Improvements Plan	Debt Coverage Ratio	Projected Expenses	Projected Revenues	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Targeted Minimum Cash
2025	4.0%	\$ 515,500	N/A	\$ 1,745,609	\$ 1,754,030	\$ 8,422	\$ 33,000	\$ 172,815	\$ 546,116
2026	4.0%	-	N/A	1,859,739	1,823,961	(35,779)	33,000	320,291	571,716
2027	4.0%	-	N/A	1,916,570	1,896,688	(19,881)	33,000	484,401	609,683
2028	4.0%	-	N/A	1,961,960	1,972,325	10,365	33,000	679,579	620,875
2029	4.0%	-	N/A	2,008,693	2,050,987	42,293	33,000	907,661	656,352

- The rate track was set to stabilize operating income and cash balances. Cash will need to be monitored as capital improvements materialize.

SIGNIFICANT ASSUMPTIONS

This section outlines the procedures used to develop the financial projection study and the related significant assumptions.

Forecasted Operating Expenses

Forecasted expenses were based on actual 2023; YTD 2024 and Budget 2024.

Inflation

Inflation was assumed at 2.9% in 2025-2029.

Growth

Growth on sales was projected at 0.0%.

Interest Income

Interest income was forecasted based on projected cash balances and an interest rate of 0.5%.

Capital Improvements

The capital improvement projections were provided by the Utility. Projections for 2025 – 2029 are listed below:

Fiscal Year	Capital Improvements Plan
2025	\$ 515,500
2026	-
2027	-
2028	-
2029	-

Solid Waste Department Findings

- 1) For the City to maintain long-term financial targets of the solid waste utility, rate increases should be considered. Below is a summary of the financial projection with proposed rate increases of 4.0% in 2025-2029. The rate track was developed to maintain operating income and cash balances. The rate track should be reviewed annually as changes in revenues, expenses and capital can affect the rate track.

Fiscal Year	Projected Rate Adjustments	Capital Improvements Plan	Debt Coverage Ratio	Projected Expenses	Projected Revenues	Adjusted Operating Income	Target Operating Income	Projected Cash Balances	Targeted Minimum Cash
2025	4.0%	\$ 515,500	N/A	\$ 1,745,609	\$ 1,754,030	\$ 8,422	\$ 33,000	\$ 172,815	\$ 546,116
2026	4.0%	-	N/A	1,859,739	1,823,961	(35,779)	33,000	320,291	571,716
2027	4.0%	-	N/A	1,916,570	1,896,688	(19,881)	33,000	484,401	609,683
2028	4.0%	-	N/A	1,961,960	1,972,325	10,365	33,000	679,579	620,875
2029	4.0%	-	N/A	2,008,693	2,050,987	42,293	33,000	907,661	656,352

- 2) The financial projection revenue, expenses and cash flow should be updated annually with the budget process to determine if the rate track is on target. The rate track was set at a minimum and any changes in capital or expenses can affect the future rate track.

RATE DESIGN AND IMPACTS

Solid Waste Department Proposed Rate Design – 4%

	Rates 7/1/2024	Proposed Rates
RES	\$ 32.75	\$ 34.00
NON RES	32.75	34.00
MULTI UNIT	32.75	34.00
MULTI WEEKLY	200.00	208.00
MULTI 2-WEEKLY	370.65	385.50
BULK (1-2 REQUEST)	-	-
BULK (3 REQUEST)	50.00	52.00
ADDITIONAL TRASH	7.25	7.50
ADDITIONAL RECYC	-	-
ADDITIONAL YARD WASTE	4.50	4.75
CONTAINER REMOVAL	35.00	36.50
CONTAINER RETURN	35.00	36.50
ACCT RECONC	100.00	104.00