



# CITY OF MEDINA

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**Date:** November 12, 2024  
**To:** Honorable Mayor and City Council  
**Via:** Stephen R. Burns, City Manager  
**From:** Ryan Wagner, Finance & HR Director  
**Subject:** October 2024 Financial Report

October 2024 report includes:

- October Key Revenue and Expenditure Numbers
  - Planning Consultant Overages
  - October Financial Summaries
  - October Cash Statements
  - Medina Investment Summary
  - October 2024 AP Check Register Activity Details
- 

## October 2024 Key Revenue Items

- \$975K in Property Tax
- \$173K in Sales Tax Revenue
- \$138K in REET from August Home Sales
- \$86K in Property Tax
- \$59K Permit Revenue
- \$43K in Investment Interest Earnings
- \$34K Permit Revenue

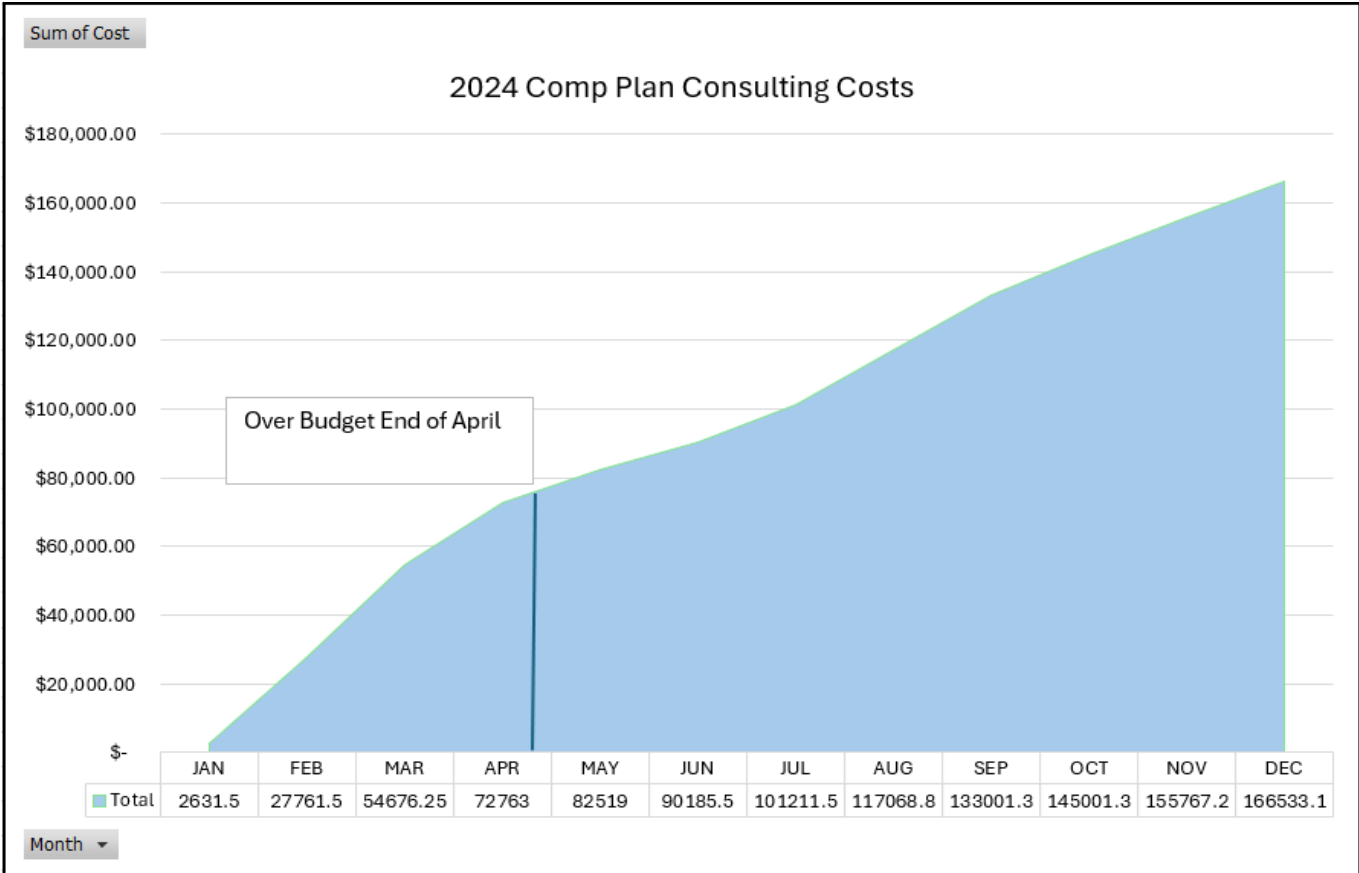
## October 2024 Key Expenditures

- \$606K Kamins Construction – ADA Compliance and Overlay Projects
- \$106K Westmark Construction – CH Deck Repairs
- \$90K LDC – July - Sept Planning Consultant Fees
- \$49 Blackfish Civil Infrastructure – NE 12<sup>th</sup> Pedestrian Project
- \$38K TIG – September and Oct IT Services
- \$16K Inslee Best – September Attorney Services

## Planning Consultant Overages

The city budgeted \$70,000 in 2024 to finalize the comprehensive plan, which aligns with what was determined in 2022 to be the three-year cost of the project. Based on actuals through April of this year, plus estimates from staff and our consultants, the city is over budget as of April of this year. With this process running through the end of the year, we expect currently to be over budget by an estimated \$96,533. Staff will continue to provide updates monthly as we track costs. Please see the attached chart and graph for reference

2024 Consulting Costs Comp Plan		
Month	Cost	Actual V Estimate
JAN	\$ 2,631.50	Actual
FEB	\$ 25,130.00	Actual
MAR	\$ 26,914.75	Actual
APR	\$ 18,086.75	Actual
MAY	\$ 9,756.00	Actual
JUN	\$ 7,666.50	Actual
JUL	\$ 11,026.00	Actual
AUG	\$ 15,857.25	Actual
SEP	\$ 15,932.50	Actual
OCT	\$ 12,000.00	Estimate
NOV	\$ 10,765.90	Estimate
DEC	\$ 10,765.90	Estimate
Total Annual Cost:	\$ 166,533.05	
Total 2024 Budget:	\$ 70,000.00	
Projected Overage:	\$ 96,533.05	



## October 2024 Financial Summary

REVENUES:	OCT ACTUAL	YTD ACTUAL	2024 ANNUAL BUDGET	% of Budget Total	REMAINING BUDGET
<b>General Fund</b>					
Property Tax	\$974,595	\$3,579,023	\$4,461,393	80.22%	\$882,370
Sales Tax	\$173,100	\$1,608,603	\$1,904,941	84.44%	\$296,338
Affordable & Sup. Housing	\$1,498	\$7,533	\$0	--	(\$7,533)
Criminal Justice	\$8,788	\$86,529	\$107,863	80.22%	\$21,334
B & O Tax: Utility & Franchise Fee	\$121,245	\$919,533	\$938,400	97.99%	\$18,867
Leasehold Excise Tax	\$0	(\$3,093)	\$6,589	-46.94%	\$9,682
General Government (includes Hunts Point)	\$6,612	\$326,846	\$433,520	75.39%	\$106,674
Passports, General Licenses & Permits	\$60	\$1,919	\$6,000	31.98%	\$4,081
Fines, Penalties, Traffic Infr.	\$250	\$15,850	\$18,000	88.05%	\$2,150
Misc. Invest. Facility Leases	\$22,129	\$350,845	\$244,496	143.50%	(\$106,349)
Disposition of Capital Assets	\$0	\$655	\$0	--	(\$655)
<b>General Fund Total</b>	<b>\$1,308,277</b>	<b>\$6,894,243</b>	<b>\$8,121,202</b>	<b>84.89%</b>	<b>\$1,226,959</b>
<b>Development Services Fund Total</b>	<b>\$83,302</b>	<b>\$781,286</b>	<b>\$1,121,500</b>	<b>69.66%</b>	<b>\$340,214.50</b>
Development Services Fund Transfers In from GF	\$0	\$0	\$0	--	\$0.00
<b>Street Fund Total</b>	<b>\$4,379</b>	<b>\$45,489</b>	<b>\$122,096</b>	<b>37.26%</b>	<b>\$90,446</b>
Street Fund Transfers In	\$44,583	\$445,833	\$535,000	83.33%	\$200,764
<b>Tree Fund Total</b>	<b>\$0</b>	<b>\$888</b>	<b>\$3,075</b>	<b>28.88%</b>	<b>\$2,187</b>
<b>Capital Fund Total</b>	<b>\$274,245</b>	<b>\$1,968,751</b>	<b>\$1,300,000</b>	<b>151.44%</b>	<b>(\$668,751)</b>
<b>Levy Stabilization Fund Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>--</b>	<b>\$0</b>
Levy Fund Transfers In GF	\$33,333	\$333,333	\$400,000	83.33%	\$66,667
<b>NonRevenue Trust Funds Total</b>	<b>\$52</b>	<b>\$17,919</b>	<b>\$0</b>	<b>--</b>	<b>(\$17,919)</b>
<b>Master Investments Total</b>	<b>\$0</b>	<b>\$2,250,000</b>	<b>\$0</b>	<b>--</b>	<b>(\$2,250,000)</b>
<b>Total (All Funds)</b>	<b>\$1,670,255</b>	<b>\$9,708,576</b>	<b>\$10,667,873</b>	<b>91.01%</b>	<b>\$959,297</b>
Total (All Funds) Transfers In	\$77,917	\$779,167	\$935,000	83.33%	\$155,833

EXPENDITURES:	OCT ACTUAL	YTD ACTUAL	2024 ANNUAL BUDGET	% of Budget Total	REMAINING BUDGET
<b>General Fund</b>					
Legislative	\$50	\$45,414	\$70,500	64.42%	\$25,086
Municipal Court	\$0	\$22,928	\$15,000	152.85%	(\$7,928)
Executive	\$20,828	\$244,690	\$292,970	83.52%	\$48,280
Finance	\$35,166	\$617,546	\$683,422	90.36%	\$65,876
Legal	\$28,077	\$214,465	\$395,200	54.27%	\$180,735
Central Services	\$142,853	\$1,003,385	\$1,199,644	83.64%	\$196,259
Police Operations	\$222,354	\$2,035,789	\$2,803,273	72.62%	\$767,484
Fire & Medical Aid	\$0	\$452,143	\$934,285	48.39%	\$482,143
Public Housing, Environmental & Mental Health	\$0	\$63,924	\$52,648	121.42%	(\$11,276)
Recreational Services	\$1,479	\$41,898	\$48,500	86.39%	\$6,602
Parks	\$45,750	\$475,291	\$608,415	78.12%	\$133,124
<b>General Fund Subtotal</b>	<b>\$496,557</b>	<b>\$5,217,473</b>	<b>\$7,103,857</b>	<b>73.45%</b>	<b>\$1,886,384</b>
General Fund Transfers Out	\$71,667	\$716,667	\$860,000	83.33%	\$143,333
<b>General Fund Total</b>	<b>\$568,223</b>	<b>\$5,934,139</b>	<b>\$7,963,857</b>	<b>74.51%</b>	<b>\$2,029,718</b>
<b>Development Services Fund Total</b>	<b>\$148,202</b>	<b>\$981,474</b>	<b>\$1,199,937</b>	<b>81.79%</b>	<b>\$218,463</b>
<b>City Street Fund Total</b>	<b>\$54,483</b>	<b>\$476,150</b>	<b>\$645,427</b>	<b>73.77%</b>	<b>\$169,277</b>
<b>Tree Fund Total</b>	<b>\$0</b>	<b>\$9,929</b>	<b>\$30,000</b>	<b>33.10%</b>	<b>\$20,071</b>
<b>Capital Fund Total</b>	<b>\$798,765</b>	<b>\$2,232,261</b>	<b>\$1,495,000</b>	<b>149.32%</b>	<b>(\$737,261)</b>
Capital Fund Transfers Out	\$6,250	\$62,500	\$75,000	83.33%	\$12,500
<b>NonRevenue Trust Funds Total</b>	<b>\$66</b>	<b>\$12,088</b>	<b>\$0</b>	<b>0.00%</b>	<b>(\$12,088)</b>
<b>Master Investments Total</b>	<b>\$0</b>	<b>\$1,500,000</b>	<b>\$0</b>	<b>0.00%</b>	<b>(\$1,500,000)</b>
<b>Total (All Funds)</b>	<b>\$1,498,072</b>	<b>\$10,429,376</b>	<b>\$10,474,221</b>	<b>99.57%</b>	<b>\$44,845</b>
Total (All Funds) Transfers Out	\$77,917	\$779,167	\$935,000	83.33%	\$155,833

## October 2024 Cash Position Report

<u>2024 Cash Balance, 9/30/24</u>		<u>2024 Cash Balance, 10/31/2024</u>	
<u>TOTAL CASH &amp; INVESTMENTS</u>		<u>TOTAL CASH &amp; INVESTMENTS</u>	
Period Ending: 9/30/2024		Period Ending: 10/31/2024	
WA ST INV POOL	\$ 10,291,916	WA ST INV POOL	\$ 10,529,989
OTHER INVESTMENTS*	4,519,740	OTHER INVESTMENTS*	4,519,740
CHECKING	<u>642,262</u>	CHECKING	<u>642,863</u>
	<b>\$ 15,453,918</b>		<b>\$ 15,692,592</b>
		Outstanding Checks	<u><b>\$157,612</b></u>
			<u><b>\$ 15,534,979</b></u>

<b>\$1M bond (June 2023)</b> 12/31/2024
\$500K bond (Mar 2020) 3/25/2025
\$500K bond (June 2022) 12/31/2025
\$1.15M bond (Jan 2023) 6/30/2026
<b>\$500K bond (June 2023)</b> 12/31/2027
\$1M bond (Aug 2024) 7/8/2027

### Medina Investment Summary

The purpose of this summary is to provide education on how the City of Medina utilizes investments to earn interest to help offset rising costs. Medina currently earns interest from two different sources, the LGIP account, and through a treasury bond portfolio. Each of these vehicles will be discussed below.

### Local Government Investment Pool

Over 530 local governments have participated in the pool since it was started in 1986 to provide safe, liquid, and competitive investment options for local government pursuant to RCW 43.25. The LGIP lets local governments use the State Treasurer's resources to safely invest their funds while enjoying the economies of scale available from a \$15-26 billion pooled fund investment portfolio.

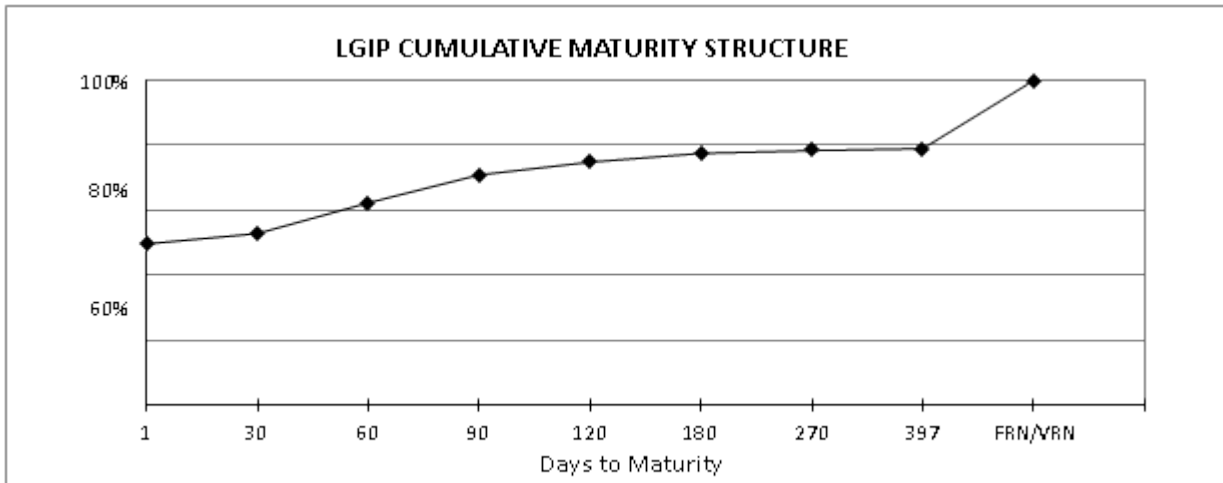
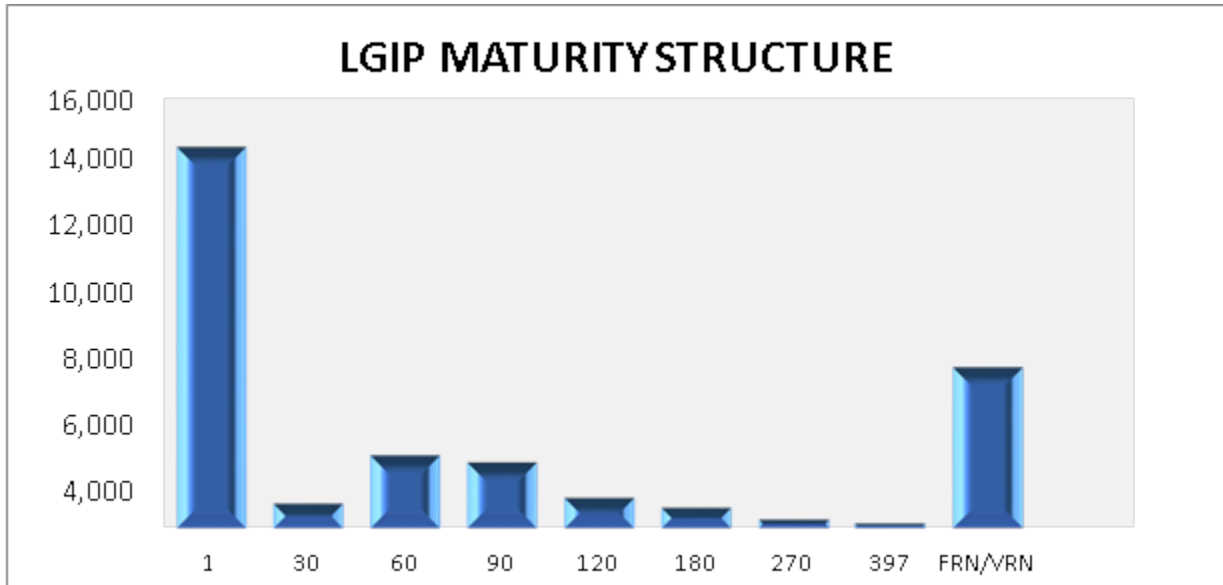
LGIP's investment objectives are, in priority order: 1) safety of principal, 2) maintaining adequate liquidity to meet cash flows, and 3) providing a competitive interest rate relative to other comparable investment alternatives. LGIP offers 100% liquidity to its participants.

<https://tre.wa.gov/investments-and-public-deposits/investments/local-government-investment-pool>

**WASHINGTON STATE  
LOCAL GOVERNMENT INVESTMENT POOL  
October 31, 2024**

<u>DAYS TO MATURITY</u>	<u>\$ MATURING (PAR VALUE)*</u>	<u>% MATURING</u>	<u>CUMULATIVE % MATURING</u>
1	14,250.48	49.7%	49.7%
2-30	913.30	3.2%	52.9%
31-60	2,720.00	9.5%	62.4%
61-90	2,460.25	8.6%	70.9%
91-120	1,125.00	3.9%	74.9%
121-180	760.00	2.7%	77.5%
181-270	274.51	1.0%	78.5%
271-397	150.00	0.5%	79.0%
FRN/VRN	6,025.00	21.0%	100.0%

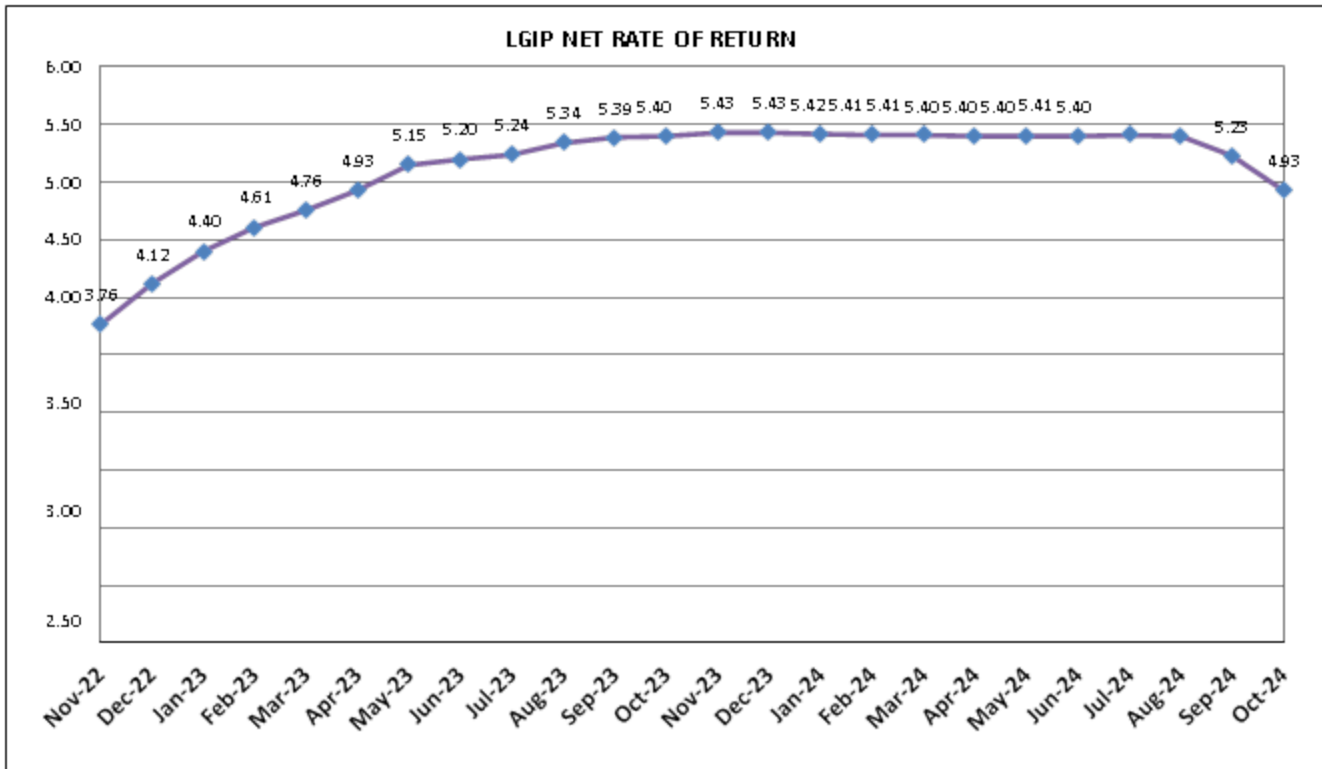
**PORTFOLIO TOTAL:** 28,678.54



**WASHINGTON STATE  
LOCAL GOVERNMENT INVESTMENT POOL  
October 31, 2024**

Investment Type	Average Balance	Oct-24	Average Balance	2024
	<u>Oct-24</u>	<u>Percentage</u>	<u>CY 2024</u>	<u>Percentage</u>
Agency Bullets	9,676,958.90	0.04%	13,762,231.60	0.06%
Agency Discount Notes	660,748,124.59	2.65%	310,092,415.12	1.26%
Agency Floating Rate Notes	5,109,864,479.13	20.53%	4,527,738,647.56	18.42%
Agency Variable Rate Notes	0.00	0.00%	0.00	0.00%
Certificates of Deposit	93,250,000.00	0.37%	118,054,918.03	0.48%
IB Bank Deposit	4,627,294,953.05	18.59%	4,389,454,077.11	17.86%
Repurchase Agreements	6,677,580,645.15	26.83%	6,527,049,180.26	26.56%
SOFR Floating Rate Notes	0.00	0.00%	0.00	0.00%
Supras - Bullets	4,659,640.65	0.02%	473,602.82	0.00%
Supras - Discount Notes	197,981,111.12	0.80%	322,091,193.26	1.31%
Supras- Floating Rate Notes	0.00	0.00%	0.00	0.00%
Supras - Variables	0.00	0.00%	0.00	0.00%
Term Repurchase Agreements	0.00	0.00%	315,409,836.06	1.28%
U.S. Treasury Securities	6,531,897,232.71	26.25%	6,941,480,535.45	28.25%
US Treasury Floating Rate Notes	974,487,898.84	3.92%	1,108,452,614.01	4.51%
<b>Total Avg Daily Balance</b>	<b>24,887,441,044.14</b>	<b>100.00%</b>	<b>24,574,059,251.28</b>	<b>100.00%</b>

Avg Days to Maturity                      20 days



## Medina's Treasury Bond Portfolio

The City of Medina allocates long term funds to treasury bonds, to earn interest that helps alleviate inflationary increases within both the General Fund and the Capital Fund. Currently the city has six total bonds, worth a total of around \$4.5 million. The city uses a laddered approach, with both short- and longer-term bonds that mature at staggered dates over the next five years. This allows the city to have access to funds, which allows for flexibility in decision making and to reduce the liability of not having enough liquid cash to cover costs.

Below is the information on the six bonds, and their purchase and maturity dates.

Purchased March of 2020, Matures March of 2025

FFCB 1.2 03/25/25 Corp		Send (VCON)	Settings	Ticket	
03/18/2020 16:31:11		Trade Date		03/18/20 16:31:11	
Trade Information					
Trader	PETER BECKER		CUSIP	3133ELUK8	
At	TVI		ISIN	US3133ELUK88	
BUY 500M of FFCB 1.2 03/25/25					
Price	100.193500	Yield	1.005040	to Worst	03/25/21 @ 100
Settlement	03/25/20 (T+5 for calendar 'US')				
Notes					

### Trade Numbers

View Amounts in USD

Principal	( 0days )	USD	500,967.50
Accrued			0.00
Total		USD	500,967.50

Purchased June of 2022, Matures December of 2025

FHLB 1 07/27/26 Corp		Send (VCON)	97 Settings	Ticket			
01/24/2023 14:30:32 Trade Date		01/24/23 14:30:32					
Trade Information							
Trader	PETER BECKER		CUSIP	3130ANDM9			
At	TVI		ISIN	US3130ANDM90			
<input type="checkbox"/> BUY	1150 M	of FHLB 1 07/27/26		Issuer Dated			
				FED HOME LN BAN... 07/27/21			
Price	90.284800	Yield	4.00000	to Worst 07/27/26 @ 100			
Settlement	01/26/23						
Ratings	S&P AA+ Moody's Aaa Fitch N.A.						
Notes	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>						

Trade Numbers				
View Amounts in USD				
Principal		USD		1,038,275.20
Accrued	( 179 days )			5,718.06
Total		USD		1,043,993.26

Purchased January of 2023, Matures December of 2025

T 2 5/8 12/31/25 Govt		Send (VCON)	97 Settings	Ticket			
06/15/2022 16:41:35 Trade Date		06/15/22 16:41:35					
Trade Information							
Trader	PETER BECKER		CUSIP	9128285T3			
At	TVI		ISIN	US9128285T35			
<input type="checkbox"/> BUY	500 M	of T 2 5/8 12/31/25		Issuer Dated			
				US TREASURY N/... 12/31/18			
Price	97.966400	Yield	3.2400	<input type="checkbox"/> Round Price			
Settlement	06/21/22						
Ratings	S&P N.A. Moody's Aaa Fitch AAAu						
Notes	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>						

Trade Numbers				
View Amounts in USD				
Principal		USD		489,832.00
Accrued	( 172 days )			6,236.19
Total		USD		496,068.19



Purchased June of 2023, Matures December of 2024

FHLB 1.2 12/23/24 Corp		Send (VCON)	Settings	Ticket
05/31/2023 15:29:38 Trade Date		05/31/23 15:29:38		
Trade Information				
Trader	PETER BECKER		CUSIP	3130AQ4B6
At	TVI		ISIN	US3130AQ4B64
BUY	1000	M	of FHLB 1.2 12/23/24	
			Issuer	FED HOME LN BAN..
			Dated	12/23/21
Price	94.71800	Yield	4.7500	to Worst 12/23/24 @ 100
Settlement	06/01/23 (T+1 for calendar 'US')			
Ratings	S&P AA+ Moody's Aaa Fitch N.A.			
Notes				

Trade Numbers

View Amounts in USD

Principal		USD	947,180.00
Accrued	( 158 days )		5,266.67
Total		USD	952,446.67

Purchased June of 2023, Matures December of 2024

FHLB 5 05/24/27 Corp		Send (VCON)	Settings	Ticket
05/31/2023 15:38:27 Trade Date		05/31/23 15:38:27		
Trade Information				
Trader	PETER BECKER		CUSIP	3130AW5E6
At	TVI		ISIN	US3130AW5E68
BUY	500	M	of FHLB 5 05/24/27	
			Issuer	FED HOME LN BAN..
			Dated	05/24/23
Price	100.00000	Yield	5.0000	to Worst 05/24/24 @ 100
Settlement	06/01/23 (T+1 for calendar 'US')			
Ratings	S&P AA+ Moody's Aaa Fitch N.A.			
Notes				

Trade Numbers

View Amounts in USD

Principal		USD	500,000.00
Accrued	( 7 days )		486.11
Total		USD	500,486.11

Purchased August of 2024, Matures July of 2027

FFCB 4 1/2 07/08/27 Corp		Send (VCON)	Settings	Ticket			
07/31/2024 14:23:01 Trade Date		07/31/24	14:23:01				
<b>Trade Information</b>							
Trader	PETER BECKER		CUSIP	3133ERKM2			
At	TVI		ISIN	US3133ERKM25			
% BUY	1000	M	of FFCB 4 1/2 07/08/27	Issuer Dated			
				FED FARM CREDIT 07/08/24			
Price	101.116600	Yield	4.0900				
Settlement	08/05/24						
Ratings	S&P AA+ Moody's Aaa Fitch N.A.						
Notes	<table border="1"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table>						

<b>Trade Numbers</b>			
View Amounts in <u>USD</u>			
Principal		USD	1,011,166.00
Accrued	( 27 days )		3,375.00
Total		USD	1,014,541.00

### Market Update from Time Value Investments

## PUBLIC FUNDS INVESTMENT MARKET UPDATE

Today the "Change in Nonfarm Payrolls" and "Unemployment Rate" statistics were released for the month of October. This data is important to monitor as it impacts interest rates for public entities. Below please find an economic update for the last month, including current market information reflecting the most recent data.

## EMPLOYMENT FIGURES

Two of the popular measures of the US employment status are “Change in Nonfarm Payrolls” and “Unemployment Rate” that are typically released on the first Friday of each month.

- The “Current Month” column shows nonfarm payrolls increased by just 12,000 jobs in October which is well below the market’s projection of 100,000 jobs. This is the smallest monthly job gain since December 2020. The Bureau of Labor Statistics emphasized, however, that this month’s payrolls number was materially impacted by the ongoing Boeing labor strike and Hurricanes Helene and Milton.
- The “Last Month Revised” column shows September’s initially announced gain of 254,000 was revised down to 223,000. August’s final revision saw a significant downward revision of 81,000 jobs to end up at 78,000 (compared to an initially announced 142,000).
- The unemployment rate held steady at 4.10% in line with market expectations. In July, the unemployment rate hit an almost 3-year high of 4.30% before ticking back down to its current level.

Employment Figures					
<u>Date</u>	<u>Event</u>	<u>Period</u>	<u>Current Month</u>	<u>Last Month</u>	<u>Last Month Revised</u>
11/1/2024	Change in Nonfarm Payrolls	October	12,000	254,000	223,000
11/1/2024	Unemployment Rate	October	4.10%	4.10%	-

Sources: <https://www.bls.gov/web/empsit/cesnaicsrev.htm>  
<https://data.bls.gov/timeseries/LNS14000000>

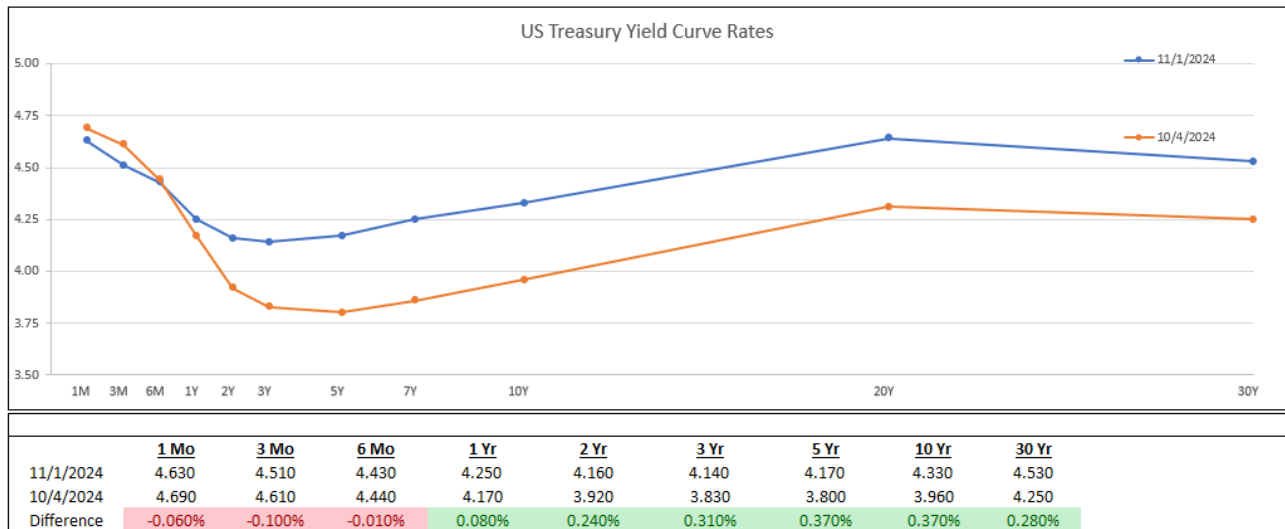
## US TREASURY YIELD CURVE

This graph shows the United States Treasury interest rates for maturities ranging from 1 month to 30 years.

- The orange line is the US Treasury Curve as of last month and the blue line is today's US Treasury Curve. The yields for the various maturities of the two US Treasury Curves are listed below the graph.
- Over the last month, shorter-term interest rates (1-year and below) saw moderate fluctuations. These rates tend to react more directly to Federal Reserve actions like the .50% rate-cut on 9/18 while longer-term rates are more forward looking.
- Longer-term rates rose over the last month and are up even more sharply than shown below from the low point for the year on 9/24 (shortly after the Fed’s rate

cut). The increase since that time was largely driven by September's stronger than expected jobs report and shifting market expectations around when and how much the Fed will cut short-term rates over the coming months.

- When the market expects fewer rate cuts to occur in the future that will cause longer-term interest rates to rise today since those rates are sensitive to what is expected to happen in the future.
- The yield curve flattened out significantly over the last couple of months compared to the more inverted shape we saw over the previous couple of years. This means the yield curve is getting closer to having a more normal upward-sloping shape with longer-term rates above short-term rates. The yield curve "inverted" with short-term rates going above long-term rates in July 2022, and this is the closest the yield curve has been to a normal shape since then.



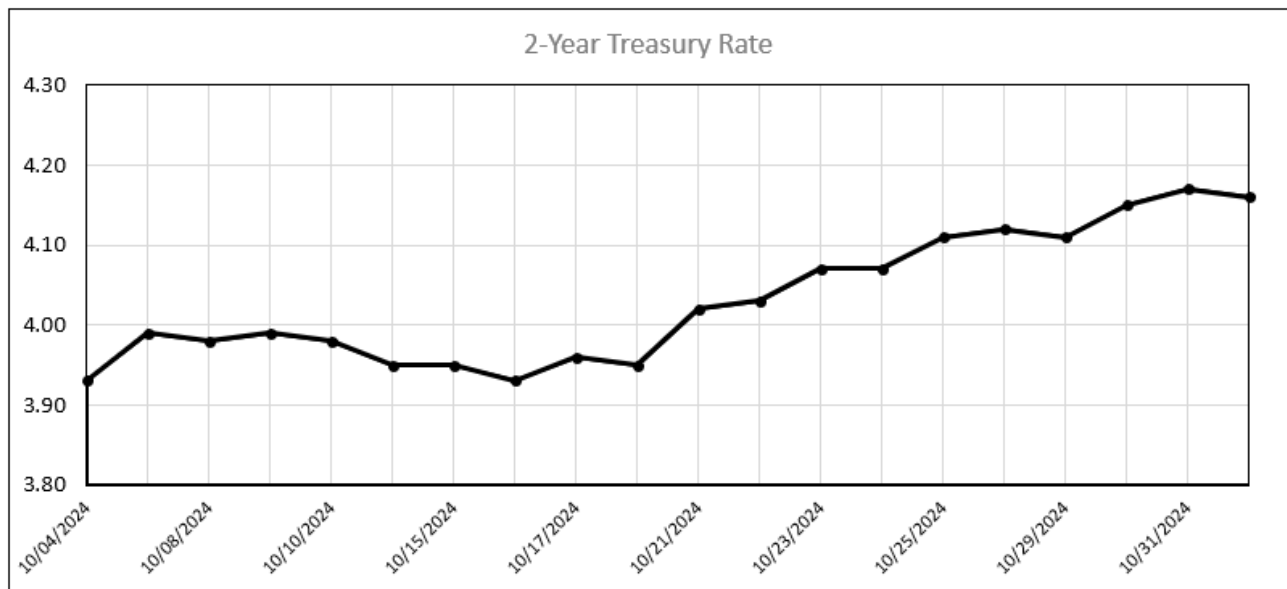
Source: <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>

## 2-YEAR TREASURY GRAPH

Many public funds investment portfolios have weighted average maturities of ~2 years, so movement in the 2-year Treasury rate is relevant to public funds investors and their portfolios.

- The 2-year Treasury rate went up consistently from mid-October through today, likely due to a combination of shifting expectations of Federal Reserve policy (discussed above) and market positioning ahead of the election.

- This rate hit a 2+ year low in mid-September but rose since then to the highest level since late July. It seems likely we'll see a fair amount of near-term volatility in the 2-year (and other longer-term rates as well) with the election and a Federal Reserve meeting scheduled next week.
- The impact of the election on interest rates in the longer-term is likely outweighed significantly by what actions the Federal Reserve ultimately takes, but the election could certainly cause either a spike or drop in rates over the next month or so. This will be largely dependent on how the market interprets the elections results, whether it is a surprise versus market expectations, and whether there is unified or split power between the executive and legislative branches.



Source: <https://fred.stlouisfed.org/series/DGS3>

## UNITED STATES EQUITY MARKETS

Stocks are not typically permitted for public funds investing. However, they do play a role in the broader economic picture and consequently can influence interest rates.

- Stocks are up sharply on the jobs data release today which is a bit of a surprise given the relatively weak nature of the data.
- These indices are all up very strongly on the year despite periods of sharp decline in July and early September. All three are down slightly after hitting all-time highs in October.

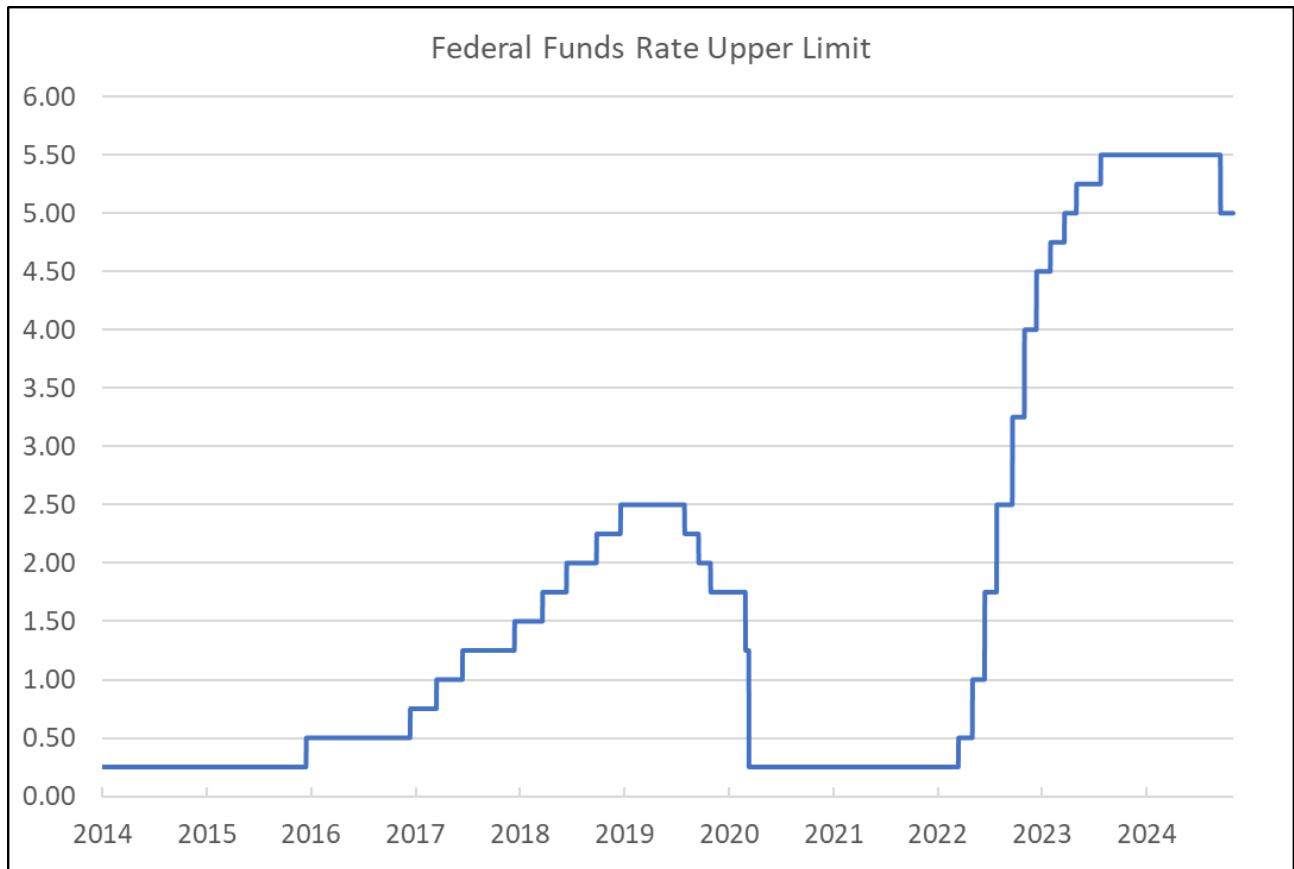
Equity Markets				
<u>Index</u>	<u>Value</u>	<u>*Today's Change</u>	<u>*Today's % Change</u>	<u>Est. % Change Year to Date</u>
Dow Jones	42,060.43	48.84	0.12%	11.60%
S&P 500	5,721.44	21.50	0.38%	19.95%
NASDAQ	18,020.73	102.25	0.57%	20.05%

*\*As of ~8:30 am PST 11/1/2024*

### FEDERAL FUNDS RATE

The Federal Funds Rate is the interest rate on overnight loans set by the Federal Open Market Committee (FOMC) at the Federal Reserve. Rates offered by local government investment pools and money market funds tend to correlate closely with the Federal Funds Rate. The graph below shows the upper bound of the Federal Funds Rate range over the last 10 years.

- The FOMC held its most recent meeting on 9/17-9/18 and chose to cut the Federal Funds Rate by 50 basis points (.50%) from a range of 5.25-5.50% to 4.75-5.00%. This was the first cut to the Federal Funds Rate since March 2020.
- The FOMC pushed the Federal Funds Rate from near zero to the 5.25-5.50% range from March 2022 to July 2023 in attempts to mitigate the very high inflation that occurred in 2021-2022. Inflation returning to more normal levels paired with signs of weakness in the labor market led the FOMC to conclude they should begin lowering the policy rate.
- Even factoring in this rate-cut, the Federal Funds Rate is still considered to be in restrictive territory and it appears likely the FOMC will continue to ease conditions by lowering the Federal Funds Rate going forward.
- Short-term and liquid investments like local government investment pools and money market funds tend to follow the Federal Funds Rate very closely, so the path of this rate is very impactful on what public entities will earn on their liquid and cash balances. We can therefore expect to see the yields on these investment pools decline going forward.



Source: <https://fred.stlouisfed.org/series/DFEDTARU>

### FEDERAL OPEN MARKET COMMITTEE MEETING CALENDAR

The Federal Open Market Committee (FOMC) typically meets eight times per year and determines the level of the Federal Funds Rate.

- The FOMC held a regularly scheduled meeting on 9/17-9/18 and voted to cut the Federal Funds Rate as discussed above. This meeting saw the first dissenting vote since June 2022 with one committee member favoring a 25 basis point (.25%) rate cut instead of 50 basis points.
- As shown in the next section, the FOMC released projections at this meeting that call for further rate-cuts later this year and through the next couple of years.
- The next FOMC meeting is next week on 11/7 and the market strongly expects that there will be a .25% cut at that meeting. There is also a high likelihood of another .25% cut in December based on market expectations.

- Over the last month, market-based projections for the path of the Federal Funds Rate pared back expectations for the number of cuts to the Federal Funds Rate over the next year or so. The market now does not expect the FOMC to be as aggressive as they did previously which likely contributed to the recent rise in longer-term interest rates.
- Note that these market-based projections change constantly and often get the timing and degree of FOMC rate cuts/hikes wrong (the same applies to the FOMC's own projections).

Calendar				
Announcement Date	Time	Current Rate	For	Against
6/14/2023*	11:00 AM PST	5.00-5.25%	11	0
7/26/2023	11:00 AM PST	5.25-5.50%	11	0
9/20/2023*	11:00 AM PST	5.25-5.50%	12	0
11/1/2023	11:00 AM PST	5.25-5.50%	12	0
12/13/2023*	11:00 AM PST	5.25-5.50%	12	0
1/31/2024	11:00 AM PST	5.25-5.50%	12	0
3/20/2024*	11:00 AM PST	5.25-5.50%	12	0
5/1/2024	11:00 AM PST	5.25-5.50%	12	0
6/12/2024*	11:00 AM PST	5.25-5.50%	12	0
7/31/2024	11:00 AM PST	5.25-5.50%	12	0
9/18/2024*	11:00 AM PST	4.75-5.00%	11	1
11/7/2024	11:00 AM PST			
12/18/2024*	11:00 AM PST			
1/29/2025	11:00 AM PST			
3/19/2025*	11:00 AM PST			

\*Meeting includes Summary of Economic Projections release

Source: <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>



## FEDERAL OPEN MARKET COMMITTEE “DOT PLOT”

Every quarter, the FOMC will release a number of economic projections including their “Dot Plot”. As Bloomberg describes, “...the FOMC’s *dots data* represents where each member thinks the Fed should set interest rates by the year end in question.”

The table below shows the September 18, 2024 quarterly projection for where each of the FOMC members believed the Federal Funds Rate will be between now and the end of 2027:

- Note —the “Dot Plot” has been translated into a table format to make it easier to read. The “Target Rate” column on the left shows various target rates the FOMC could select.
- As of 9/18, the median projection showed the Federal Funds Rate target range ending the year at 4.25-4.50%. After the 50 basis point cut at that meeting, this would imply another 50 basis points of cuts over the next two meetings. If this comes to fruition, it will likely occur as a 25 basis point cut at each of the remaining meetings this year.
- The projections for 2025 show expectations that the Committee will continue to cut the Federal Funds Rate further with the projected range dropping to 3.25-3.50% by that year-end. The June 2024 projections saw the year-end 2025 range at 4.00-4.25%, so there was a meaningful shift in expectations that more rate-cuts will be necessary from the June meeting to the September meeting.
- Projections for 2026 continue the trend of expected rate cuts to a range of 2.75-3.00% which is only slightly lower than the year-end 2026 projections from March and June of this year.
- These projections also gave the first look at 2027 year-end projections which see the FOMC holding rates steady in 2027 and in the “Long Run”. The “Long Run” column shows where the FOMC judges the “neutral” level for the Federal Funds Rate which would mean the FOMC is neither providing stimulus nor restriction on the economy.
- Please note that these projections from the FOMC are not always a strong predictor of where the Federal Funds Rate will be in the future (especially multiple years out).
- Of the 19 members on the FOMC making projections, only 12 can be voting members at any given time. There are 7 permanent members and 5 positions that rotate through on an annual basis.
- The FOMC will release new economic projections, along with a new “Dot Plot”, after the meeting on December 18.