

## **Support Material Agenda Item No. 7**

### **General Policy Committee Meeting**

**May 14, 2025**

**9:00 AM**

**Location:**

San Bernardino County Transportation Authority  
*First Floor Lobby Board Room*  
1170 W. 3<sup>rd</sup> Street, San Bernardino, CA 92410

### **DISCUSSION ITEMS**

#### **Administrative Matters**

##### **7. Investment Policy No. 20100 & Investment Portfolio Update**

That the General Policy Committee recommend the Board, acting as the San Bernardino County Transportation Authority (SBCTA), effective July 1, 2025:

- A. Approve Investment Policy No. 20100, with staff recommending no revisions.
- B. Delegate to SBCTA's Chief Financial Officer, who shall serve as SBCTA's Treasurer, authority for a one-year period to invest or reinvest SBCTA funds and to sell or exchange securities so purchased, pursuant to Policy No. 20100.

That the General Policy Committee recommend the Board, acting as the San Bernardino Council of Governments (SBCOG), effective July 1, 2025:

- C. Reauthorize pooling SBCOG funds with SBCTA funds, to be invested in accordance with SBCTA's Investment Policy No. 20100.
- D. Delegate to SBCTA's Chief Financial Officer, who shall serve as SBCOG's Treasurer, authority for a one-year period to invest or reinvest SBCOG funds and to sell or exchange securities so purchased, pursuant to Policy No. 20100.

*A PowerPoint presentation was received after the posting of the agenda and is being provided as a separate attachment.*

# San Bernardino County Transportation Authority

## Market and Portfolio Update

May 14, 2025



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## Current Market Themes



- U.S. economy is clouded by tariff and policy uncertainty
  - Labor market continues to serve as backbone
  - Inflation remains "sticky"
  - Fiscal policy uncertainty and volatile tariff rollouts weigh on consumer



- Federal Reserve ("Fed") likely to cut overnight rates later this year
  - The Fed kept the federal funds target rate unchanged at 4.25% - 4.50%
  - Market analysts anticipate 0.50% of rate cuts in 2025
  - Fed Chair Powell stated the administration's "significant policy changes" relating to trade, immigration, fiscal policy, and regulation is creating "considerable uncertainty"



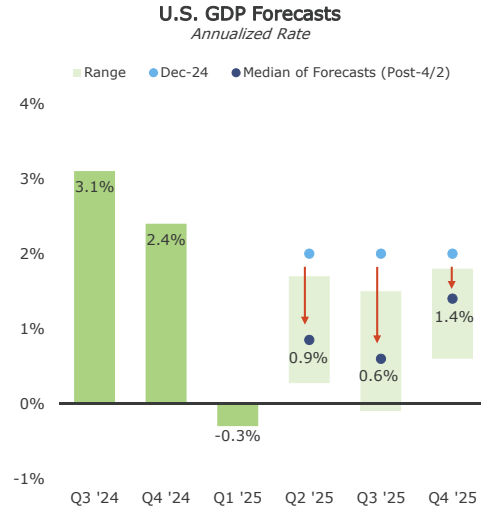
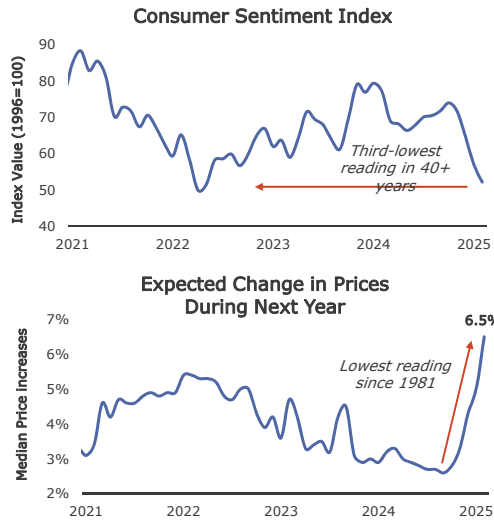
- U.S. Treasury yields have moved lower
  - Investors seek safe haven assets amidst growing uncertainty
  - Inverse relationship exists between price and yield for fixed income securities
  - Yields on maturities between 2 years and 10 years fell ~0.40% in the first 3 months of 2025, increasing the market value of existing holdings



*Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of March 31, 2025.*

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## Policy Changes Increase Consumer Uncertainty



Source: Bloomberg Finance L.P. and University of Michigan Consumer, as of April 2025 (left); Bureau of Economic Analysis and Bloomberg Finance L.P., as of April 2025. Survey responses after April 2, 2025, included in median and forecast range. Forecast range shown is the 75th and 25th percentile of responses.

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## Tariffs Have Broad Economic Implications

### Tariff Implications



#### Inflation

Fed staff research<sup>1</sup> suggests each 10% increase in the effective tariff rate leads to a 0.8% increase in inflation



#### Economic Impact

Fed staff research<sup>1</sup> suggests each 10% increase in the effective tariff rate leads to a 1.4% decrease in GDP



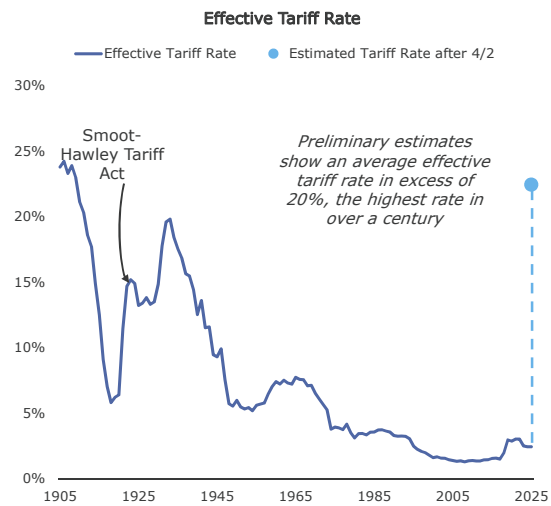
#### Tariff Revenues

Each \$100 billion of tariffs paid by the consumer is approximately equal to a 0.4% increase in income taxes



#### Consumer Spending

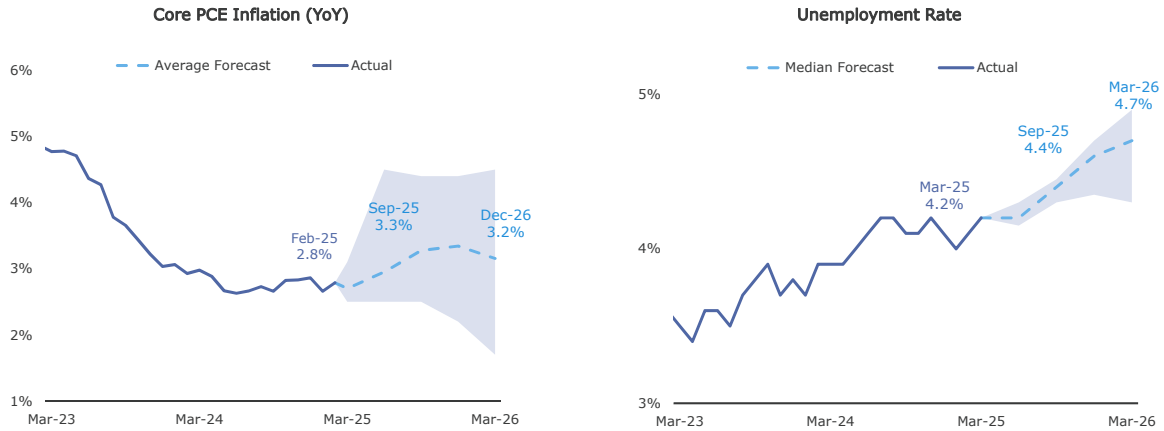
Price increases and uncertainty could directly impact consumer confidence and spending habits



Source: PFMAM calculations, Bloomberg Finance L.P., Bureau of Economic Analysis. As of April 2025.  
1. Federal Reserve: [Tealbook A, September 2018](#).

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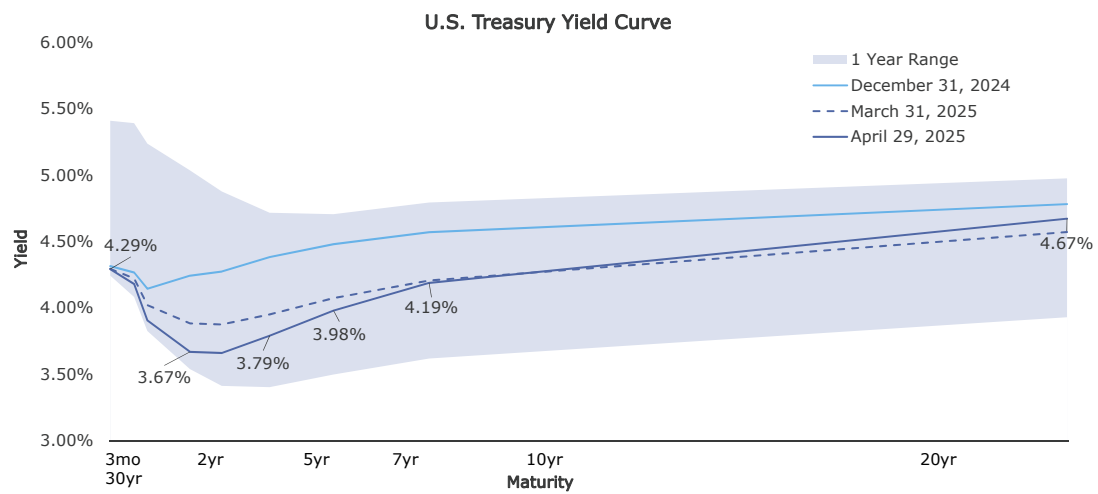
## Tariffs Complicate the Fed's Job



Source: Bureau of Economic Analysis and Bloomberg Finance L.P. as of February 2025 (top). Bureau of Labor Statistics and Bloomberg Finance L.P. as of March 2025 (bottom). Survey responses after April 2, 2025, included in median and forecast range. Forecast range shown is the 75th and 25th percentile of responses (right).

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## Treasury Yields Have Been Volatile



Source: Bloomberg Finance L.P., as of April 29, 2025.

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## Portfolio Composition Overview

Portfolio Composition and Credit Quality Characteristics including TDA

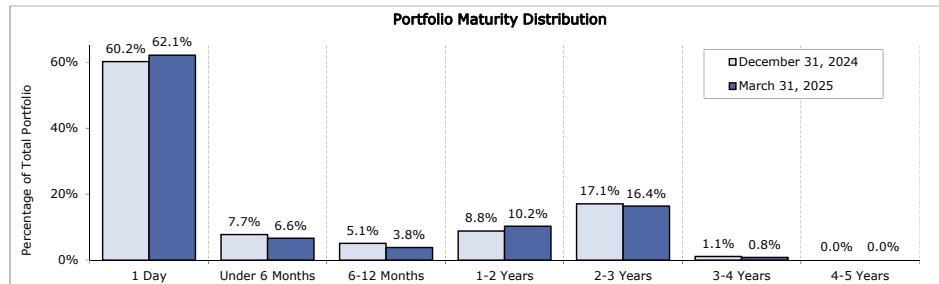
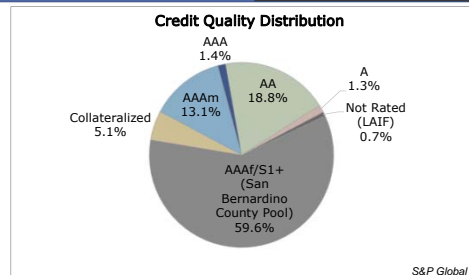
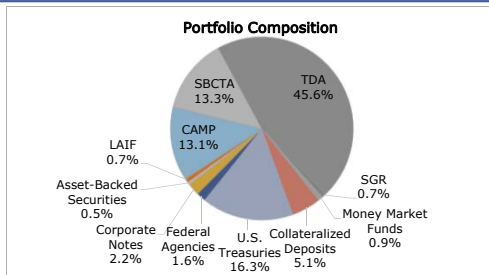
Security Type <sup>1</sup>	March 31, 2025	% of Portfolio	Change in \$'s	March 31, 2024	% of Portfolio	Permitted by Policy
U.S. Treasuries	\$191,296,285	16.3%	\$22,446,249	\$168,850,036	16.8%	100%
Federal Agencies	\$19,077,107	1.6%	(\$7,471,044)	\$26,548,151	2.6%	100%
Supranational	\$0	0.0%	(\$1,431,515)	\$1,431,515	0.1%	20%
Corporate Notes	\$25,754,375	2.2%	\$790,160	\$24,964,215	2.5%	30%
Asset-Backed Securities	\$5,454,840	0.5%	(\$104,707)	\$5,559,547	0.6%	20%
<b>Subtotal PFM-Managed Portfolio</b>	<b>\$241,582,607</b>	<b>20.6%</b>	<b>\$14,229,143</b>	<b>\$227,353,464</b>	<b>22.6%</b>	
LAIF	\$8,199,825	0.7%	\$362,379	\$7,837,445	0.8%	\$75 million
CAMP	\$153,413,180	13.1%	\$36,152,069	\$117,261,111	11.7%	100%
San Bernadino County Pool	\$699,305,859	59.6%	\$86,835,668	\$612,470,191	60.9%	100%
SBCTA	\$155,515,560	13.3%	\$38,684,583	\$116,830,977	11.6%	100%
TDA	\$535,103,237	45.6%	\$47,111,249	\$487,991,988	48.5%	100%
SGR	\$8,687,062	0.7%	\$1,039,836	\$7,647,226	0.8%	100%
Money Market Funds	\$10,492,189	0.9%	(\$2,256,127)	\$12,748,316	1.3%	20%
Collateralized Deposits	\$60,258,488	5.1%	\$31,833,012	\$28,425,476	2.8%	100%
<b>Totals</b>	<b>\$1,173,252,147</b>	<b>100.0%</b>	<b>\$167,156,144</b>	<b>\$1,006,096,003</b>	<b>100.0%</b>	

Notes:

1. End of quarter trade-date market values of portfolio holdings. Detail may not add to total due to rounding.

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## Portfolio Overview



As of March 31, 2025. All securities held in the Authority's portfolio carry the credit ratings required by Authority's investment policy from at least one rating agency. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity. Includes CAMP, LAIF, San Bernardino County Pool, money market fund, and bank deposits. Detail may not add to total due to rounding.

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## Portfolio Performance

### Portfolio Performance: Total Return

Total Return <sup>1,2,3,4,5,6</sup>	Quarter Ended March 31, 2025	Past Year	Past 3 Years	Past 5 Years
<b>SBCTA (PFMAM)</b>	<b>1.48%</b>	<b>5.34%</b>	<b>2.74%</b>	<b>2.14%</b>
ICE BAML 1-3 Year U.S. Treasury Index <sup>6</sup>	1.59%	5.42%	3.10%	1.72%

### Duration and Yield Information

Effective Duration <sup>6</sup>	March 31, 2025	March 31, 2024	SBCTA (PFMAM) Yields <sup>7</sup>	March 31, 2025	March 31, 2024
<b>SBCTA (PFMAM)</b>	<b>1.46</b>	<b>1.16</b>	Yield at Market	4.17%	5.02%
San Bernardino County Pool	<b>1.69</b>	<b>1.45</b>	Yield at Cost	4.25%	3.41%
LAIF <sup>8</sup>	<b>0.67</b>	<b>0.62</b>	<b>Apportionment Rates<sup>8</sup></b>		
ICE BAML 1-3 Year U.S. Treasury Index	1.75	1.74	LAIF	4.48%	4.30%
			San Bernardino County Pool	4.25%	3.91%

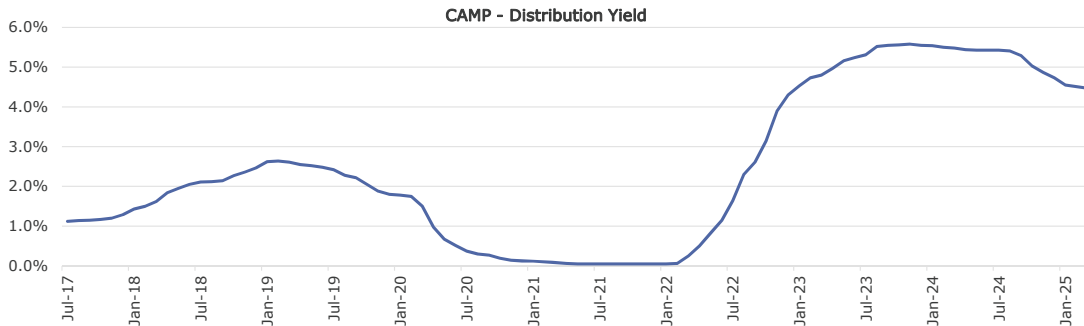
#### Notes:

1. Total return on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Quarterly returns are presented on an unannualized basis. Performance numbers for one year and greater are presented on an annualized basis.
3. Performance inception date is June 30, 2006.
4. Total return includes realized gains/losses and interest income as well as the market value fluctuations of the portfolio's securities for the period measured.
5. Since 6/30/18, the portfolio benchmark has been the ICE BofA 1-3 U.S. Treasury Index. Between 6/30/18 and 6/30/13, the portfolio benchmark was the ICE BofAML 1-5 U.S. Treasury Index. Prior to 6/30/13, there was no benchmark.
6. Total return and duration calculations excludes Short-Term, CAMP, and LAIF, San Bernardino County, TDA, and collateralized deposit balances.
7. Yield calculation excludes the Short-Term, CAMP, LAIF, the San Bernardino County Pool, money market fund, and collateralized bank deposits.
8. LAIF effective duration as of most recent LAIF website data upload. Data as of 03/31/25. Rates for LAIF are based on the pool's quarterly apportionment rate, as reported on the LAIF website. Rates for the County Pool are based on the PFMAM-produced monthly report.

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## CAMP Pool Yield Information

Current 7-Day Yield <sup>1</sup>	March 31, 2025		
CAMP Pool	4.47%		
Average Distribution Yield <sup>3,4</sup>	Quarter Ended	Past	Since
	March 31, 2025	12 Months	Inception
CAMP Pool	4.51%	5.05%	2.46%



#### Notes:

1. The current seven-day yield of the CAMP Cash Reserve Portfolio may, from time to time, be quoted in reports, literature and advertisements published by the Trust. The current seven-day yield, also known as the current annualized yield, represents the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical account with a balance of one share (normally \$1.00 per share) over a seven-day base period expressed as a percentage of the value of one share at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by 365 and dividing the result by 7. Past performance is not indicative of future results and yields may vary.
2. The monthly distribution yield represents the net change in the value of a hypothetical account with a value of one share (normally \$1.00 per share) resulting from all dividends declared during a month by the Pool expressed as a percentage of the value of one share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month. The monthly distribution yields are sourced from CAMP's website at: <https://www.camponline.com>.
3. The average yield for the CAMP Pool (the "Pool") for any period is the average of the monthly distribution yields for that period.
4. The since inception date is July 2017 when the operating account was opened.

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## Looking Ahead

- Recession probabilities have been slowly rising as the uncertainty from domestic policy clouds the economic outlook.
- Average tariff rate at historically high levels; negotiations of agreements with trading partners remain a focus
- Awaiting changes in economic data as consumer uncertainty remains high
- Fed willing to stay patient but aware of risks
- Key factors in Authority's investment strategy:
  - Maintain broad diversification
  - Continue to coordinate cash flow needs with the Authority
  - Continue to utilize disciplined approach emphasizing risk management



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