



Treasury Investment Board
MEETING AGENDA Wednesday,
May 10, 2023; 3:45 PM

- I. Call to Order / Roll Call**
- II. Approval of Previous Minutes**
- III. Special Presentations by Invited Consultants**
Presentation by the Meeder Group regarding the status of city/village investments.
- IV. Adjournment**



CITY OF NEWTON FALLS
Treasury Investment Board
MEETING MINUTES
Wednesday, March 15, 2023; 3:30 PM
COUNCIL CHAMBERS
612 WEST BROAD STREET

I. Call to Order / Roll Call

The meeting was called to order by Finance Director Sean Housley at 3:33 pm.

Councilperson Spletzer, Councilperson Fetterolf, Finance Director Housley, and Law Director Bryan were in attendance. City Manager Priddy was not present due to illness.

Special Guest Eileen Stanic, Sr. Public Funds Advisor and Director of Advisory Services (Public Funds) at Meeder Investment Management was also present via telephone.

II. Approval of Previous Minutes

Mr. Housley called for a motion to approve the minutes of the December 7, 2022 meeting.

Moved by: Ms. Spletzer

Seconded by: Ms. Fetterolf

No discussion.

Roll Call Vote: Mr. Housley-yes; Ms. Spletzer-yes; Mr. Fetterolf-yes

The motion passed 3-0. The minutes were approved.

III. Special Presentations by Invited Consultants

Presentation by the Meeder Group regarding the status of city/village investments.

Eileen Stanic provided a presentation to the Treasury Investment Board via telephone. Three months have passed since the previous meeting. A snapshot of how the Village funds are invested was discussed noting that the STAROHIO balance has increased nearly \$500,000 and is now \$1,733,544.71. This is made up of funds that the finance director identifies as being able to be moved in STAROHIO to take advantage of the short-term, rising interest rates that are currently available. For example, when January closed STAROHIO was yielding 4.62% and today is yielding 4.79% because STAROHIO is almost immediately responsive to actions taken by the Federal Reserve. This short-term liquid option helps to compliment the long-term portfolio.

The securities portion of the portfolio sits at just over \$5,000,000. It has grown because of recent income from the long-term investments. The total portfolio is now just under \$6.8 Million not including cash held in the Village checking account. The securities yield has increased from 1.75% to 2.04%. The maturity distribution was summarized with 38% of the investments will mature within the year, giving an excellent opportunity to reinvest those funds with more favorable terms. Recently, \$400,000 that matured this month was reinvested into the 2-3 year range at currently just under 4.40% in yield. The recommendation was to try to increase the 3-5 year investment strategy to just over 40% of the overall portfolio in order to take advantage of the favorable rates that haven't been seen in roughly 15 years.

Mr. Housley asked Ms. Stanic comment on the difference in yield between investing at the 2-3

year range vs. the 3-4 year range. The market is changing day to day and the a 5 year investment would lock in 4%. Mr. Housley commented that current yields are inverted, which means that the short-term yields are better than the longer-term yields. Ms. Stanic agreed stating that we are currently seeing the highest inversion since the late 1980's and a recession typically happens within 21 months of the initial inversion. We are currently about 12 months into that trajectory. Mr. Housley responded that this explains his current investment strategy to focus on the short-term investments over the long-term.

Ms. Stanic stated that the market expects that higher interest rates by the Fed will serve to slow the economy, including to soften the employment picture. The jobs report showed stronger performance than expected. Inverted yields and low unemployment has never happened before in this country; and it should serve to put off a recession. The Fed is expected to continue raising rates and Village is positioned so as to be able to react quickly to any abrupt changes in the outlook, including the potential to lock in favorable rates at the 4-5 year level when the yield curve starts to flatten. The Fed is expected to keep rates higher for longer at this point due to the strong jobs number and the Consumer Price Index. The market is expecting 3 more rate hikes this calendar year.

Mr. Housley stated that he is looking to increase amounts invested in 3 years' time frame. He assured the Board that he would transfer cash out of STAROHIO and have it invested within 3-4 days should an abrupt interest rate decline occur. Presently, keeping the cash in STAROHIO is the best approach because each time the Fed increases, STAROHIO increases thus yielding the best rates for the Village. Once the Fed starts to level rates, then money will begin to be moved from STAROHIO into longer term investments of 3-4 years.

Ms. Stanic noted that the projected income schedule is showing an anticipated \$40,000 improvement year after year since the repositioning of Village investments took place in early 2022. This does not include the additional \$80k-\$90k that STAROHIO is expected to earn.

Ms. Stanic recommended to continue to invest mature funds in the 3-year range by using a measured approach instead of a speculative approach. A balance between short-term and long-term investments is advised.

Ms. Stanic spoke about the current economic climate and stressed the importance of building in flexibility in the investment process, particularly the maturity distribution. The Fed Rate Hiking Cycles was discussed. Rate hikes will continue in 2023. Monetary policy flows at a 6 month lag and it takes time for rate hikes to make the expected impact on the economy. Mr. Housley pointed out his strategy of looking for the leveling off of the rates to determine when to shift maturity investments into the 4 year period. Ms. Stanic agreed but cautioned that the identification of pattern is important. Short term rates are driven by the Fed and the long term rates will be driven by the market expectations for inflation and long term growth.

Ms. Stanic noted that wage growth gets embedded in pricing due to inflation. She notes that the Employment Cost Index has begun to level off. The Fed has maintained their target to be 2% inflation and economists estimate that current wage growth is consistent with that goal. It is estimated that by the end of 2023, inflation will be around 3-3.5%.

US Treasury Yield Curves continued to invert with short-term yields exceeding long-term yields. The yield curve reflects market expectations for economic growth and inflation and the shape of the current curve shows an increase expectation for recession, although there has been overall improvement during this first quarter towards a more normal cycle.

Ms. Spletzer stated that she likes the plans and appreciates the flexibility in the plan.

IV. Adjournment

Mr. Housley called for a motion to adjourn the meeting.

Moved by: Mr. Bryan

Seconded by: Ms. Spletzer

No discussion.

Roll Call Vote: Mr. Housley-yes; Ms. Spletzer-yes; Mr. Fetterolf-yes

The motion passed 3-0. The meeting was adjourned at 4:06 pm.

DRAFT



FEBRUARY 15, 2023

City of Newton Falls Investment Strategy Update

PRESENTED BY:

EILEEN STANIC, CTP
REGIONAL DIRECTOR, ADVISORY SERVICES



MEEDER
PUBLIC FUNDS



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PORTFOLIO REVIEW

Current Portfolio

City of Newton Falls portfolio as of 1/31/2023

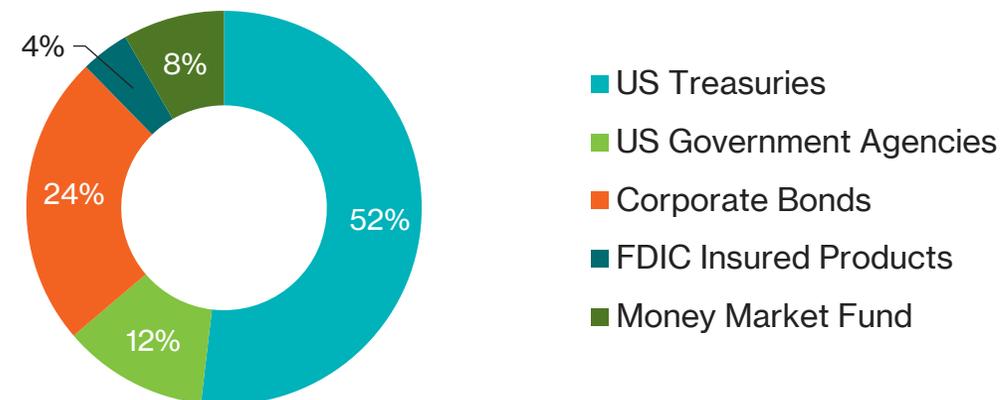
Your Portfolio

Cash (STAR Ohio)	\$1,733,545
Securities	\$5,060,876
Total Portfolio	\$6,794,421

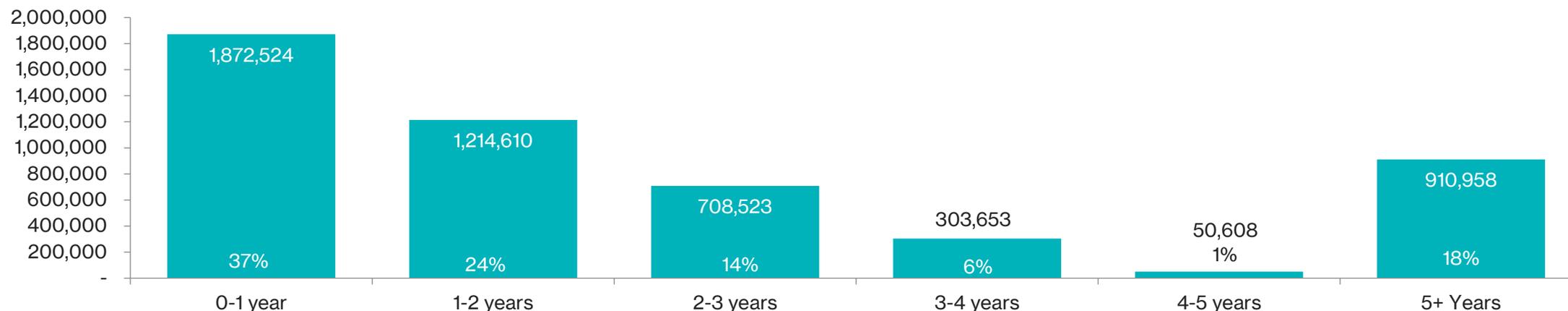
Your Securities

Weighted Average Maturity	2.38 years
Weighted Average Yield	2.04%

Your Asset Allocation



Your Maturity Distribution



YIELD AND INTEREST INCOME INFORMATION IS ANNUALIZED. ALL YIELD INFORMATION IS SHOWN GROSS OF ANY ADVISORY AND CUSTODY FEES AND IS BASED ON YIELD TO MATURITY AT COST. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

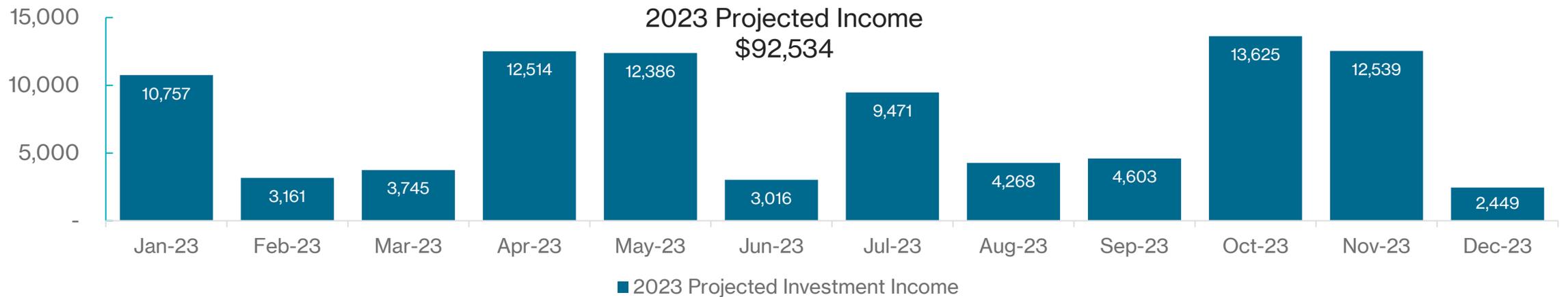
Current Portfolio

City of Newton Falls portfolio as of 1/31/2023

2022 INVESTMENT INCOME



2023 PROJECTED INVESTMENT INCOME



Upcoming Maturities – next 6 months



Date	Maturity
Feb-2023	\$100,000
Mar-2023	\$100,000
Apr-2023	\$100,000
May-2023	\$125,000
Jun-2023	\$125,000
Jul-2023	\$125,000



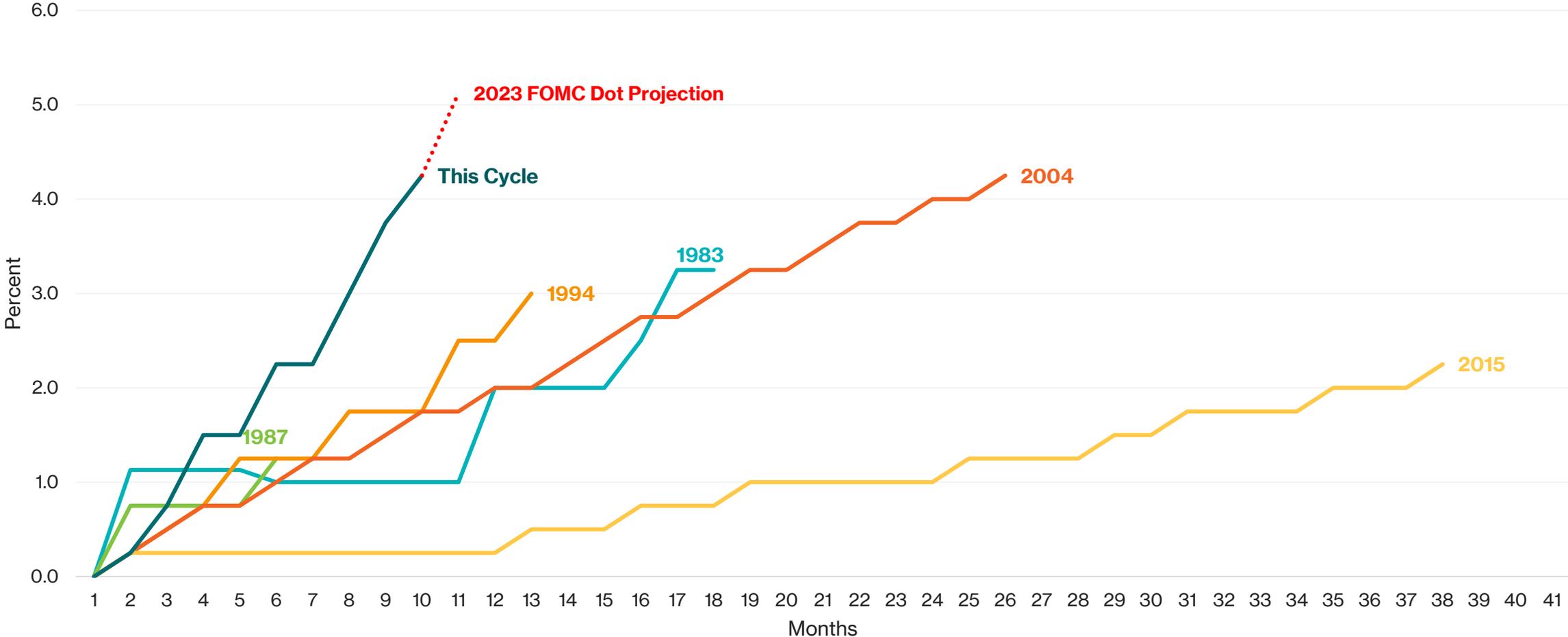
M E E D E R
PUBLIC FUNDS

ECONOMIC UPDATE

<h2>Fed started down the path to aggressive tightening</h2> <p>Fed Funds rate went from 0-0.25% to 4.25-4.50% Included 4 extraordinary 0.75% hikes</p>		<p>Markets began the year pricing in a rate of 0.82% for Fed Funds by year end 2022 The 2yr Treasury note yielded 0.73% and ended the year at 4.42% The 10yr Treasury note yielded 1.51% in Dec 2021 and ended 2022 at 3.87%</p>	<p>Stock indices endured one of the worst years in recent history The S&P 500 was down 18.13% and the NASDAQ was down 32.51%</p>
<p>Russia invaded the nation of Ukraine, causing market volatility and concerns about energy and grain distribution Hastening a push to de-globalization</p>	<p>The US officially passed 1 million COVID deaths early in the year</p>		<p>Bond markets suffered the same fate Bloomberg Barclays Aggregate Index was down 13%</p>
<p>FTX declared bankruptcy after seeing a valuation of \$32bln in January, in what may be the largest financial crime since Bernie Madoff</p>	<p>The Omicron COVID variant begins to spread and causes many countries to take restrictive steps</p>	<p>Elizabeth Holmes is found guilty of defrauding investors in Theranos</p>	
<p>Bitcoin dropped 64%</p>		<p>Will Smith smacks Chris Rock at the Oscar's award ceremonies</p>	<p>Rishi Sunak replaces Liz Truss, who went down in history as the shortest sitting UK Prime Minister</p>
		<p>Elon Musk purchased Twitter</p>	<p>Queen Elizabeth of England passed away in September</p>

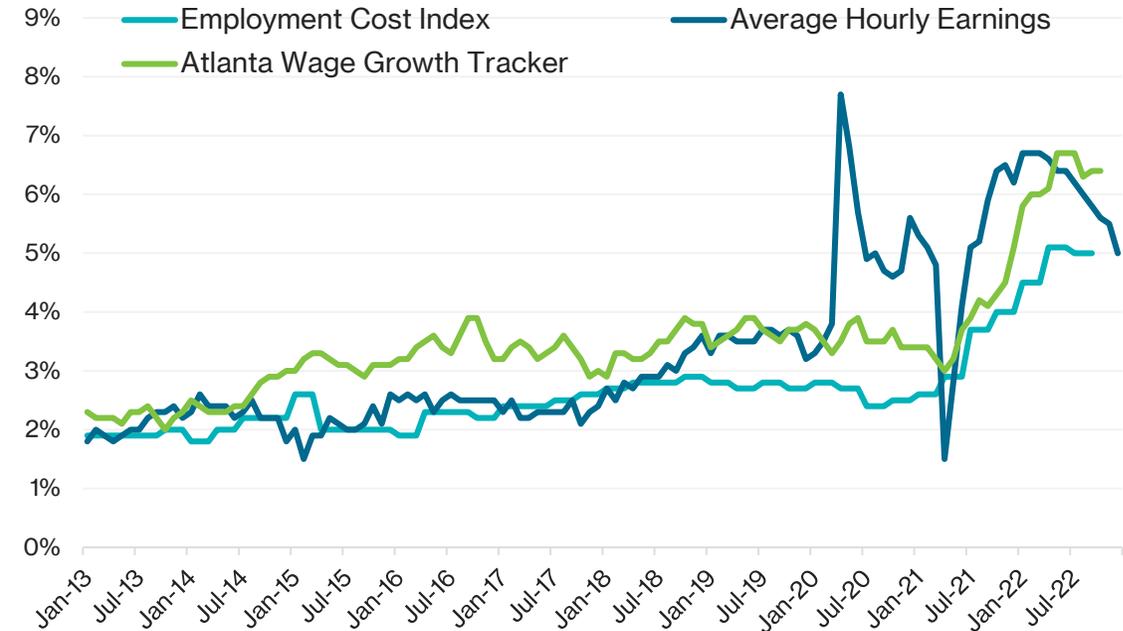
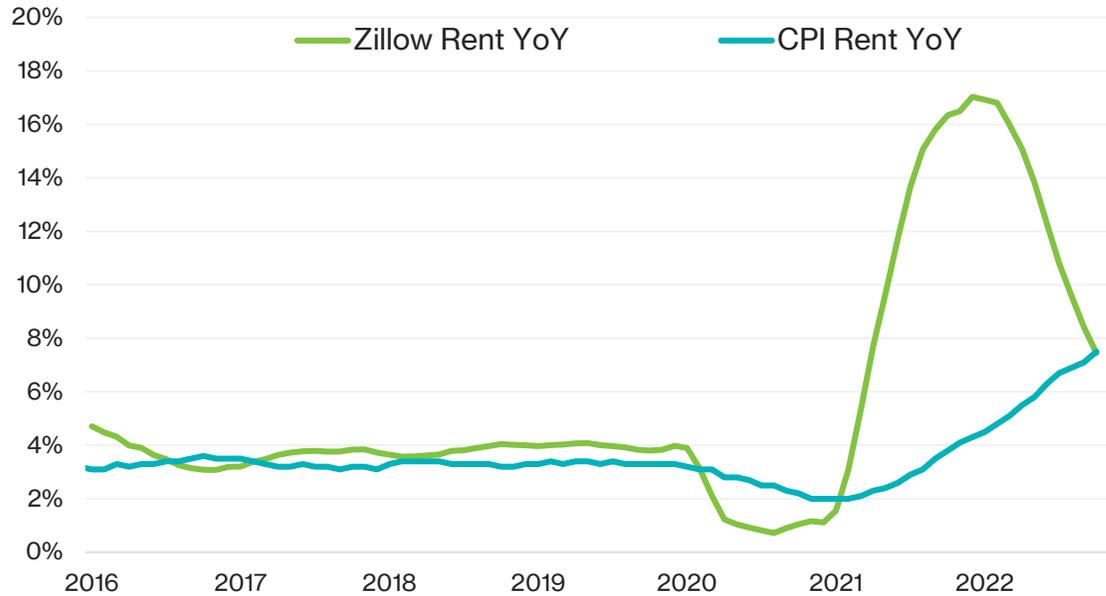
Fastest Rate Hiking Cycle

The current hiking cycle has been faster than each of the cycles since 1983



SOURCE: BLOOMBERG

Earnings and Rents Driving Inflation

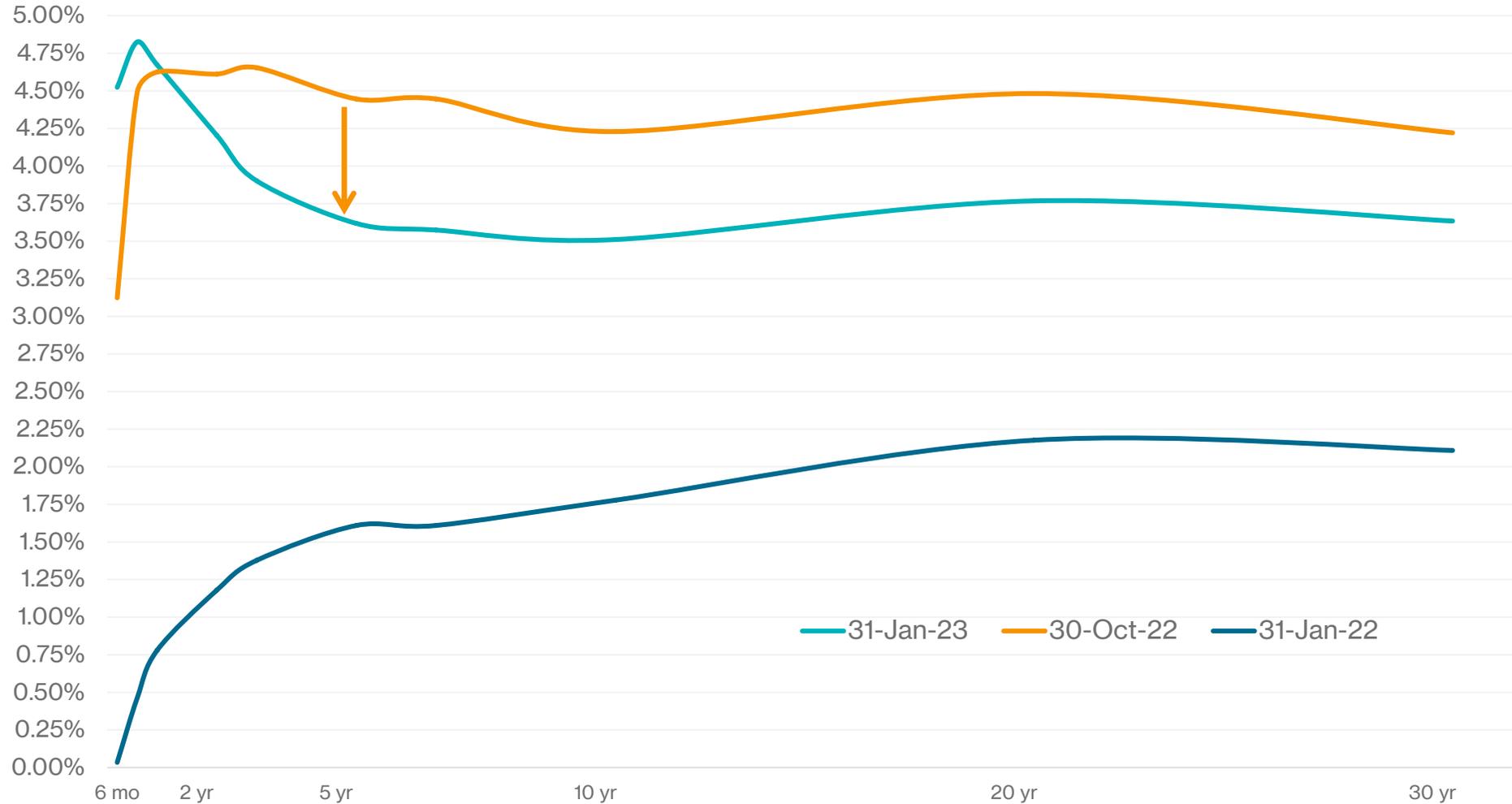


- Shelter, the service that a housing unit provides its occupants, is one of the largest parts of the Consumer Price Index (CPI) basket at 33% of CPI
- Methodology to calculate CPI Shelter historically lags homes price change by 4 quarters.
- Zillow’s measure of market rents – rents for new lease by a new tenant indicates CPI rent should fall over next year.

- A weaker labor market is a key goal for Fed – December SEP has unemployment rate rising from 3.7% to 4.6% by end of 2023
- Economists estimate wage growth of 2%-3.5% as being consistent with 2.00% inflation target.
- Multiple indicators point to wage growth having peaked

SOURCE: BLOOMBERG; ZILLOW DATA

US Treasury Yield Curves



- Yield curve has continued to invert with 3-month yields far exceeding 10-year yields
- Yield curve reflects market expectations for economic growth and inflation
- Shape of the curve indicates heightened expectation for a recession

SOURCE: BLOOMBERG AS OF 12/31/2022

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