



## **Zanetti Monday Missive 2022.02.14 Inflation – From The Perspective of A County Commissioner**

**“...but in this world nothing can be said to be certain, except death and taxes.”**

**~ Benjamin Franklin**

**“Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.”**

**~ Sam Ewing**

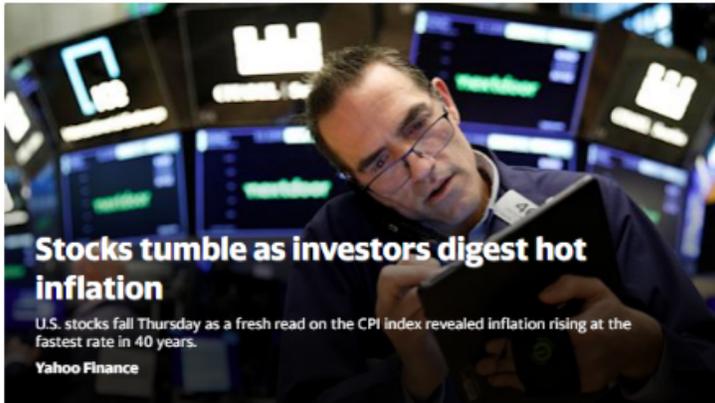
Unless you were hiding in a cave this past week you saw something similar to what I saw when I logged on to my computer this past Thursday (2/10/22)...

<b>S&amp;P 500</b> <b>4,563.13</b> -24.05 (-0.52%)	<b>Dow 30</b> <b>35,688.93</b> -79.13 (-0.22%)	<b>Nasdaq</b> <b>14,368.56</b> -121.82 (-0.84%)	<b>Russell 2000</b> <b>2,057.60</b> -25.90 (-1.24%)	<b>Crude Oil</b> <b>90.50</b> +0.84 (+0.94%)
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**JUST IN**

**Inflation reaches fresh 40-year high**

The Consumer Price Index (CPI) registered a 7.5% annual gain in January.



**Stocks tumble as investors digest hot inflation**

U.S. stocks fall Thursday as a fresh read on the CPI index revealed inflation rising at the fastest rate in 40 years.

Yahoo Finance



**Inflation reaches fresh 40-year high: CPI posts 7.5% annual gain in Jan.**

Yahoo Finance



**Weak Olympics ratings, Comcast: Super Bowl will offset, analyst says**

Yahoo Finance



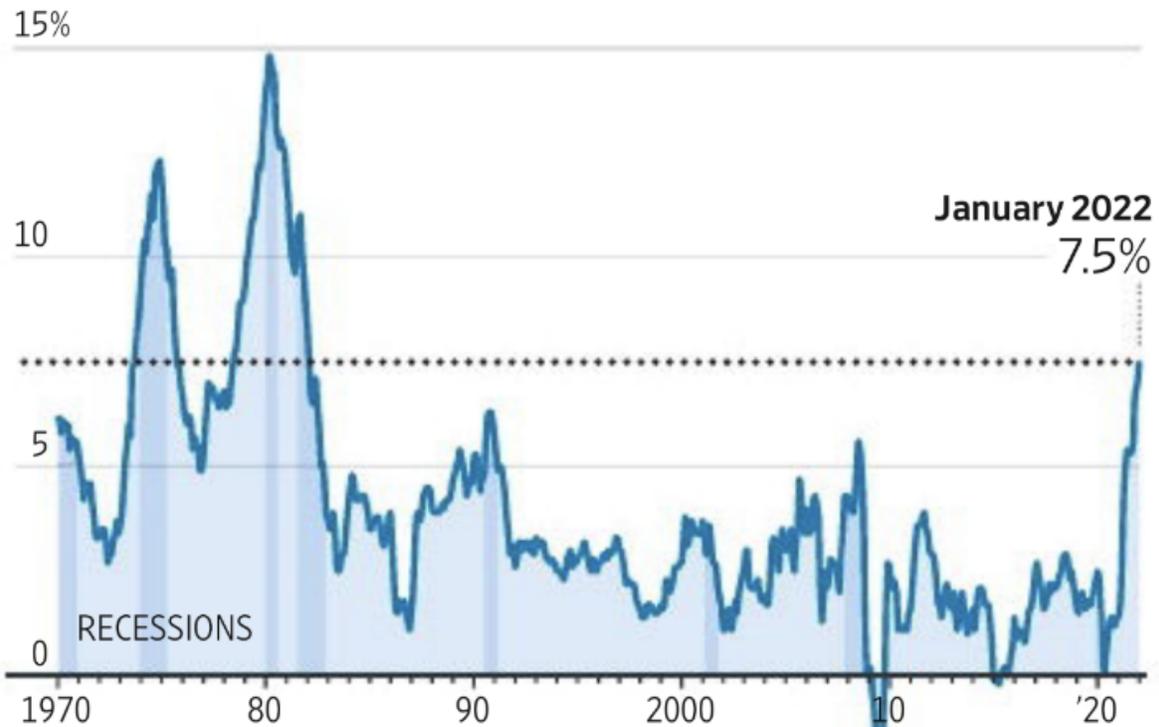
**Goldman launches clean energy ETF as ESG popularity soars**

Yahoo Finance

That's right! Inflation broke last month's 40 year record and is now the highest it's been since 1982. It came in at 7.5%. Well, that's only true if you agree with the "new" CPI Inflation calculation. If the CPI was measured the way it was in 1982, inflation would be about 15% right now.

Nevertheless, I'm proud of The Fed for not tweaking the calculation even more and at least recognizing that inflation is continuing to "get worse" instead of being "transitory."

## Consumer-price index, change from a year earlier

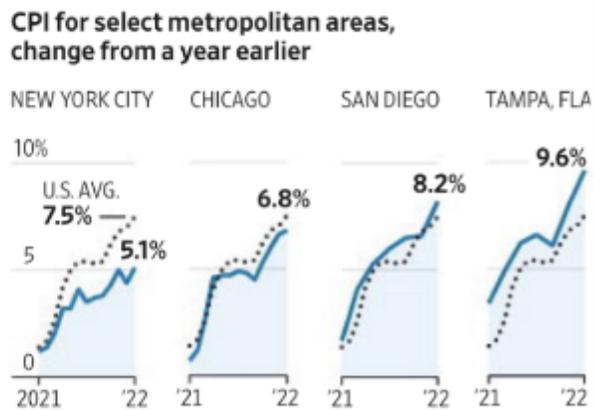
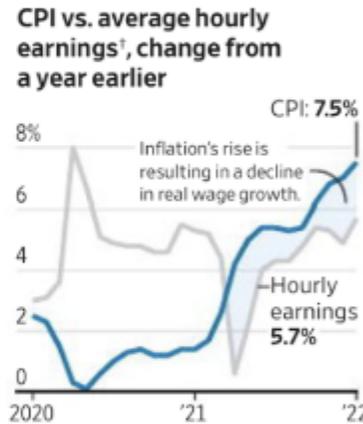
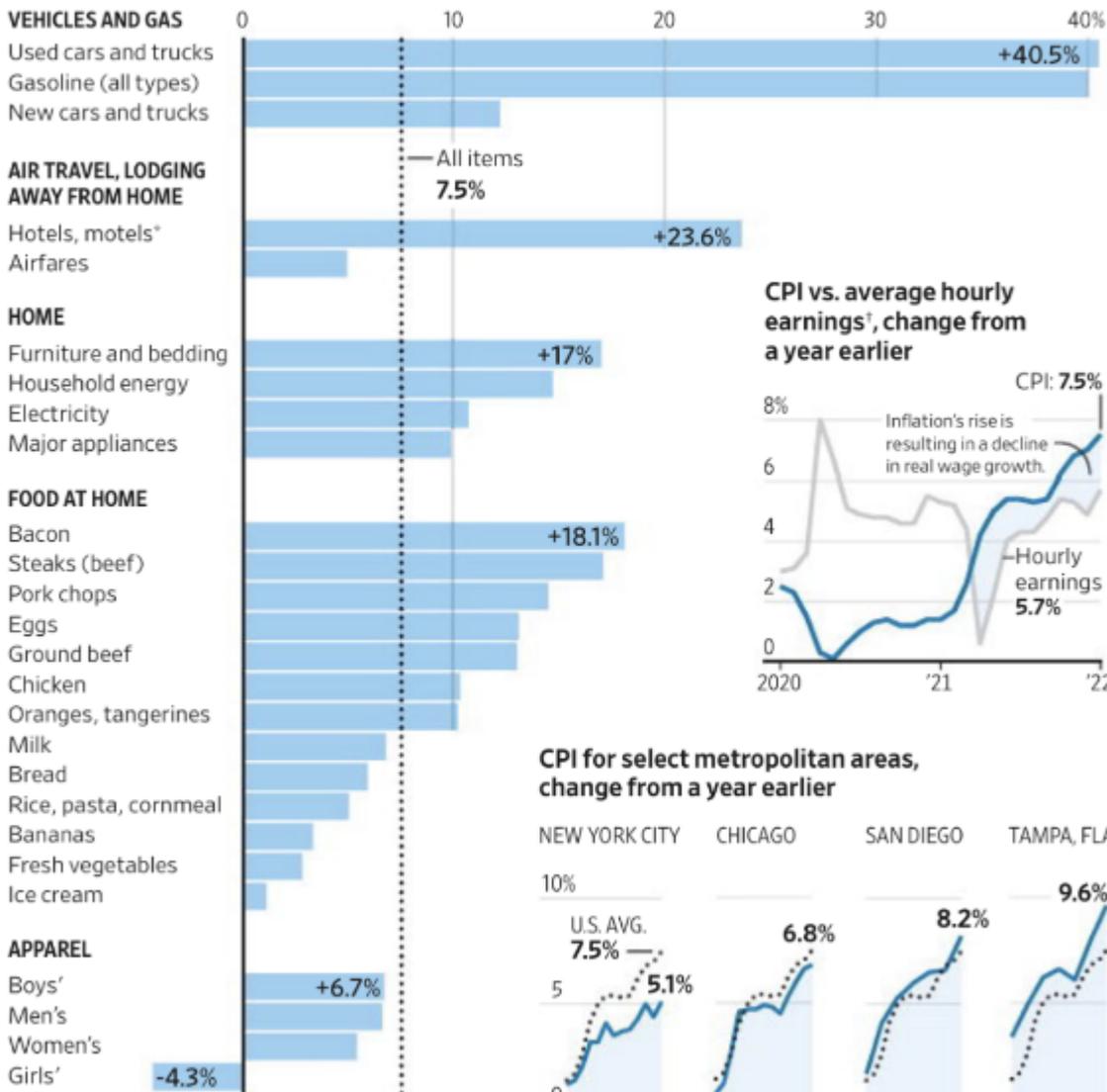


Source: U.S. Labor Department

Well, here's the thing. We all know inflation is rising. For the past year, we've all been watching prices rise (much higher than 7.5%). Sometimes we've had to tighten our belts, haven't we? Fortunately for us, while our grocery bills have risen, so have our investments accounts, while the rest of the stock market has been falling. Not everybody can say that.

U.S. consumers continue to feel the pinch of rising prices as inflation jumped to 7.5% in January from a year earlier. The increases are across the buying spectrum, from large ticket items to groceries and gas.

**Consumer-price index for select items, 12-month change ended in January**



\*Includes other lodging away from home  
†For all employees, total private, seasonally adjusted  
Source: U.S. Labor Department

Kurt Wilberding/THE WALL STREET JOURNAL

But here's the thing... As you all know, I serve as a Bernalillo County Commissioner and I've gained a perspective I hadn't had before. Inflation affects our government's pocketbook just like our own. And now I'll let you in on what I've been surprised to see.

Two years ago, local voters voted on a bond that was to pay for potentially 3 different county projects. At the time, the bond was enough to pay for all

three projects and voters approved it. Unfortunately, with costs skyrocketing, the County officials have come to the realization that the bond will only pay for one project. So now, the county has to pick which two projects won't get completed and which one project will.

No matter how you slice it, there will be community members who feel ignored or let down.

Bernalillo County has the highest credit rating possible. That's a good thing when it comes to bonds – the county can issue bonds at low rates – and spend more money on the project and less on interest. Part of what affects having a good government credit rating is making sure the bond money is spent and then paid back.

But here's an inconvenient aspect of government bonds. The county can't just skip all three projects and not move forward with spending the bond money – if they do, their credit will be negatively affected.

Now, the finance and public works departments have to concede to the power of inflation and pick one project instead of three that they will work on.

Does that mean the two projects that get tabled are no longer needed? Not at all! If the county is going to address these needs, they'll have to issue additional bonds – or at least get them on the ballot to be voted on.

And does this mean our taxes go up? Not exactly. Or, I should say, not immediately. The county pays back these bonds with revenue they receive from taxes, but they spend the majority of their revenue on many other expenses – like the fire department, the sheriff's department, and the county jail. So what it does mean is that just like the Federal government, the county will need to issue additional bonds to pay for more projects – and the more bonds that are issued, the greater the possibility taxes will need to be raised.

So, here are some lessons. First, inflation affects all of us – in obvious ways as well as in not so obvious ways. Second, when it comes to raising taxes, my position (if you live in my district) is to vote no. I'd rather increase tax revenue by attracting new businesses and residents who add to our tax pool – not raise taxes on those who've toughed it out this far.

Third, always pay attention to the bonds that you vote on. And fourth, Greg and I are considering as many aspects of our economy and your investment options as possible – and we don't take anything for granted.

Signed Your Why-Are-People-The-Most-Quiet-During-Superbowl-Commercials-Instead-Of-During-The-Actual-Game Financial Advisor,

Walt

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