



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of May 13, 2025

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: Accept the Investment Report for the Quarter Ending March 31, 2025

RECOMMENDED ACTION:

Accept the Investment Report for the Quarter Ending March 31, 2025

EXECUTIVE SUMMARY:

Pursuant to California Government Code section 53646 and the City's Investment Policy, a quarterly report and certification shall be provided to the City Council, City Manager, and City Independent Auditor. The Quarterly Investment Report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par value, and dollar amounts invested in all securities. The certification must ensure that investments were made consistently with the City's Investment Policy and that the City will meet its expenditure obligations for the next six months. The Quarterly Investment Report for the quarter ending March 31, 2025, is provided as Attachment 1.

BACKGROUND:

To comply with state law and city policy, the City must present quarterly investment reports detailing the City's investment portfolio to the City Council, City Manager, and City Auditor. The Council's authority to invest in or reinvest funds or sell or exchange securities is delegated to the City's Finance Director, who also serves as City Treasurer. Pursuant to the Investment Policy, the City Treasurer may delegate some of their fiduciary responsibility to an outside investment management firm. An investment manager's fiduciary responsibility is a legal requirement for registration with the Securities and Exchange Commission under the Investment Advisor Act 1940. Due to the specialized services and expertise required to assist the City with the varied investment options, the City has used the Local Investment Agency Fund (LAIF) and PARS experienced investment managers.

ANALYSIS:

This report presents the City's investment portfolio for the quarter ending March 31, 2025. It has been prepared to comply with California Government Code Section 53646 regulations and the City's Investment Policy. The report includes all cash and investments managed by the City, as well as City-related investments held by bond trustees for debt service obligations and funds held in the irrevocable trust with PARS for pension and other post-employment benefits (OPEB). Additionally, the report provides details on each security's investment type, issuer, maturity date, cost, and current market value.

The City utilizes the Local Agency Investment Fund (LAIF), a money market fund administered by the State Treasurer. LAIF includes many governmental agency participants and holds securities through its administrator. It offers local agencies a means to invest cash held in a treasury pool that can be withdrawn as needed on a same-day basis to meet cash flow needs, while still earning interest generated by the Pooled Money Investment Account (PMIA). Furthermore, the investments held by Bond Trustees are managed according to individual bond indentures.

As of March 31, 2025, the overall average yield of the pooled investment portfolio (before adjustments for changes in market value) was 4.68%. This is higher than the two-year U.S. Treasury Note rate of 4.59% and the LAIF average monthly rate of 4.313%. The market value of the pooled portfolio was \$49,179, reflecting an increase of 0.07% from the book value. Since the City does not intend to sell its pooled investment portfolio securities before maturity, this will not impact the yield.

Investment Type	Market Value	Amount	Average Yield
		Over/(Under) Cost	
Petty Cash	\$2,005	-	0.00%
Cash in Bank	8,605,254	-	0.00%
Local Agency Investment Fund (LAIF)	57,961,392	\$49,179	4.31%
Irrevocable Trust (Pension)	2,491,468	-	5.58%
Irrevocable Trust (OPEB)	3,008,916	-	5.58%
Investments with Bond Trustees	2,090,743	-	4.14%
Total Portfolio	\$74,159,778	\$49,179	4.68%

As of March 31, 2025, 78.14% of the total investment portfolio is allocated to LAIF. Within LAIF's investment distribution, 79.9% is comprised of U.S. Treasuries and agency notes, while 9.3% is invested in certificates of deposit (CDs) and bank notes. The remaining 10.8% is allocated to various other investment types. For further insights, including economic summaries and detailed information on each investment advisor as well as LAIF, please refer to the Investment Portfolio Summary Report included in Attachment 1.

The City strategically manages its idle cash from all operating funds on a pooled basis to optimize returns. Earnings are allocated to each fund based on their respective average cash balances. It is important to note that the timing of revenue collections—such as property taxes, business licenses, and franchise taxes—can significantly influence quarterly investment income throughout the year. At present, the City maintains adequate cash reserves to meet anticipated obligations over the next six months.

In compliance with Governmental Accounting Standards Board (GASB) Statement 40, the City is required to recognize the fair market value of its investments at the conclusion of each fiscal year. The market values noted in this report are sourced from the State Controller's office for the Local Agency Investment Fund (LAIF) and from the City's registered investment managers and bond trustees for all other investment vehicles. It is important to acknowledge that these market valuations are subject to daily fluctuations.

The distinction between market value and historical cost, referred to as Unrealized Investment Gains and Losses, represents temporary variances and does not reflect cash-related transactions. Given that the City intends to hold its investments until maturity, at which point they will be redeemed at par value, any unrealized gains or losses will be reported exclusively at the end of the fiscal year in the City's Comprehensive Annual Financial Report.

The total cash and investments reported include portions that are designated as unrestricted within the City's General Fund, amounting to \$24.1 million (32%), and the Internal Service Funds, which total \$260,748 (0.3%). It is important to note that some of these amounts are committed to existing obligations or are allocated for specific purposes. In contrast, the remaining \$49.8 million, or 67%, of the City's cash and investments, is restricted for designated uses in accordance with applicable federal, state, or local regulations.

FISCAL IMPACT:

This is an information report with no fiscal impact.

ATTACHMENTS:

1. Quarterly Investment Report