



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of November 12, 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 September 30, 2025

RECOMMENDED ACTION:

Accept the Investment Report for the Quarter Ending September 30, 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 report 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 September 30, 2025, is provided as Attachment 1.

BACKGROUND:

To ensure compliance with state law and municipal policies, the City is mandated to present quarterly investment reports that provide a comprehensive overview of the City's investment portfolio to the City Council, City Manager, and City Auditor. The authority to manage investments, reinvestment, sales, or exchanges of securities is delegated to the Finance Director, who concurrently holds the position of City Treasurer.

In accordance with the Investment Policy, the City Treasurer has the option to delegate certain fiduciary responsibilities to an external investment management firm. It is important to note that any investment manager engaged for this purpose must adhere to fiduciary

obligations as stipulated by the Securities and Exchange Commission under the Investment Advisor Act of 1940.

To effectively address the specialized services and expertise required for a diverse array of investment options, the City has engaged with the Local Investment Agency Fund (LAIF) as well as experienced investment managers from Public Agency Retirement Services (PARS).

ANALYSIS:

This report provides a comprehensive overview of the City's investment portfolio for the quarter ending September 30, 2025. It is prepared in compliance with California Government Code Section 53646 and adheres to the City's Investment Policy. The report encompasses all cash and investments managed by the City, along with City-related investments held by bond trustees for debt service obligations and funds in the irrevocable trust with PARS for pension and other post-employment benefits (OPEB). Additionally, it includes detailed information on each security's investment type, issuer, maturity date, cost, and current market value.

The City participates in the LAIF, a money market fund overseen by the State Treasurer. LAIF includes multiple governmental agency participants and holds securities managed by its administrator. This fund provides local agencies with a mechanism to invest cash held in a treasury pool, allowing for same-day withdrawals to facilitate cash flow needs while earning interest from the Pooled Money Investment Account (PMIA). Moreover, investments managed by bond trustees are conducted in accordance with the terms of individual bond indentures.

As of September 30, 2025, the average yield of the pooled investment portfolio, prior to adjustments for fluctuations in market value, is reported at 4.99%. This yield exceeds the two-year U.S. Treasury Note rate of 3.60% and the average monthly rate of 4.21% for the LAIF. The market value of the pooled portfolio stands at \$67,959, indicating a modest increase of 0.10% from its book value. Given that the City does not intend to sell its pooled investment portfolio securities before maturity, this decision will not impact on the overall yield.

Investment Type	Market Value	Amount	Average Yield
		Over/(Under) Cost	
Petty Cash	\$2,005	-	0.00%
Cash in Bank	4,681,194	-	0.00%
Local Agency Investment Fund (LAIF)	56,779,794	\$67,958	4.21%
Irrevocable Trust (Pension)	2,732,483	-	6.73%
Irrevocable Trust (OPEB)	3,227,039	-	6.73%
Investments with Bond Trustees	1,938,378	-	4.03%
Total Portfolio	\$69,360,893	\$67,958	4.99%

As of September 30, 2025, 81.84% of the total investment portfolio is allocated to the LAIF. Within this allocation, 80.7% is comprised of U.S. Treasuries and agency notes, while 9.2% is invested in certificates of deposit (CDs) and bank notes. The remaining 10.1% is distributed among various other investment types. For a comprehensive overview, including economic summaries and detailed information, 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 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 several components that are classified as unrestricted. Within the City's General Fund, this amounts to \$20 million (29%), while the Internal Service Funds contribute an additional \$839,209 (1%). It is essential to recognize that a portion of these funds is committed to pre-existing obligations or allocated for specific purposes. Conversely, the remaining \$48.5 million, representing 70% of the City's cash and investments, is restricted for designated uses by applicable federal, state, or local regulations.

FISCAL IMPACT:

This is an information report with no fiscal impact.

ATTACHMENTS:

1. Quarterly Investment Report