



CITY COUNCIL STAFF REPORT



August 13, 2024

ITEM TITLE

Investment Report: Quarter Ending June 30, 2024

Report Number: 24-0215

Location: No specific geographic location

Department: Finance

G.C. § 84308: No

Environmental Notice: The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Recommended Action

Receive the investment report for the quarter ending on June 30, 2024.

SUMMARY

Transmitted herewith is the City’s investment report for the quarter ending June 30, 2024 to meet the reporting requirements set forth in the California Government Code Sections 53600 et seq. and City Council Policy 220-01 Investment Policy and Guidelines.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the proposed activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

As shown in the table below, the total cash and investment portfolio held by the City as of June 30, 2024, was \$695,545,611 and total cash and investments held by the trustees were \$98,446,532.

Summary of Cash and Investments as of June 30, 2024	
Cash and Investments	Book Value
Managed Investment Portfolio	\$ 642,337,323
State of California Local Agency Investment Fund	30,248,196
County of San Diego Pooled Investment Fund	320,502
Total Investments Held by the City	672,906,020
Cash/Time Deposits	22,639,591
Total Cash and Investments Held by the City	695,545,611
Cash and Investments Held by Bank Trustee	98,446,532
Total Cash and Investment Portfolio	\$ 793,992,143

Cash and investments held by the City and the trustees continue to be invested in accordance with the Government Code and City Council Policy 220-01 Investment Policy and Guidelines as adopted by Resolution No. 2024-023 on February 13, 2024.

During this quarter, \$15,000,000 was transferred to the State of California Local Agency Investment Fund (LAIF) and \$20,000,000 was transferred to Bank of New York, the City's Custodian Bank, to be used for investment purchases. Additionally, thirty-two investments matured, totaling \$77,162,000. Sixteen purchases were made to replace those investments. Purchased investments include: four corporate notes (\$20,000,000), five federal agency bonds (\$29,500,000), one commercial paper (\$5,000,000), and six U.S. treasury notes (\$46,500,000). The Finance Department continues to manage the portfolio and execute transactions as financial and economic conditions warrant. There is no further activity to report other than routine investments.

Two-year Treasuries were yielding 4.59% at the beginning of the quarter and ended the quarter at a yield of 4.71%. As of June 30, 2024, the Weighted Yield to Maturity on the Managed Investment Portfolio was 3.44%, which was an increase of 24 basis points from the previous quarter. The average yield of the two-year U.S. treasury note over the last twelve months is 4.74%. Purchases are made at current market yields with fixed interest rates.

At the end of this quarter, the Weighted Average Maturity of the Managed Investment Portfolio was 1.80 years, which is an increase from 1.68 years from the prior quarter.

The Federal Open Market Committee (FOMC) meets approximately every six weeks and determines the level of the Federal Funds Rate. During this quarter, the FOMC met on April 30 and June 11. At their June 11 meeting, the FOMC voted to maintain the Federal Funds Rate target range. The Federal Funds Rate target range is 5.25%-5.50%.

The following excerpts are from the statement issued by the FOMC following their June 11 meeting.

“Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. In recent months, there has been modest further progress toward the Committee’s 2 percent inflation objective. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals have moved toward better balance over the past year. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks. In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks....In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee’s goals. The Committee’s assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.”

The Finance Department, with the assistance of Chandler Asset Management, Inc, continues to manage the City’s investment portfolio in accordance with the Government Code and City Council Policy 220-01 Investment Policy and Guidelines. Considering the projected timing of cash receipts and disbursements and the structure of the Pooled Investment Portfolio, the City will be able to comfortably meet overall cash flow needs over the next six months.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov’t Code § 87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Considering the projected timing of cash receipts and disbursements and the structure of the Pooled Investment Portfolio, the City should be able to comfortably meet overall cash flow needs over the next six months. There is no direct fiscal impact as a result of this action.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact as a result of this action.

ATTACHMENTS

1. Summary of Cash and Investments as of June 30, 2024
2. Investment Report for the Quarter Ended June 30, 2024

*Staff Contact: Galen Fleming, Fiscal Services Analyst, Finance Department
Sarah Schoen, Director of Finance/Treasurer*