Agenda Report

MEETING DATE: **Meeting Date**

TO: **City Council**

FROM: **ADMINISTRATIVE SERVICES DIRECTOR CZERWIN**
MARISSA DURAN, ASSISTANT FINANCE DIRECTOR

THROUGH: **CITY MANAGER MENDEZ**

SUBJECT: **MOTION TO ACCEPT APRIL 2022 THROUGH JUNE 2022 INVESTMENT REPORT**

RECOMMENDED ACTION:

The City Council is asked to accept the quarterly Investment Report.

BACKGROUND:

It is recommended that Council accept the Investment Report for the period of April 2022 through June 2022 by motion.

DISCUSSION:

The City's idle funds are invested to earn a competitive yield and to accommodate the City's need for liquidity. Investments of idle funds are only made in investment types/instruments approved by the Council. Every year in January, the Council re-adopts the City's Investment Policy. As shown on Table 1 below, the City's Investment Portfolio in June 2022 was 69.8 million dollars. Our current holdings include: City Investments, LAIF and CAMP.

The City has used LAIF (Local Agency Investment Fund) as a primary benchmark for the last several years. LAIF is a good benchmark for the City as the average days to maturity of its investments are similar to the City's investment maturity. Currently we are a little ahead of LAIF earnings rates.

PORTFOLIO RESULTS:

The results from the last several months are shown below on Table 1.

Table I

	April	May	June
Cash Invested ($MM)	111.8	116.9	125.8
City's Average Yield	0.54%	0.76%	1.00%
LAIF Yield	0.52%	0.68%	0.86%
LAIF Cash Invested ($MM)	69.8	69.8	69.8

STRATEGIC PLAN:

2-Fiscal Health

THE ECONOMY:

Federal President Raphael Bostic said in a meeting earlier this month that he is leaning toward a 50 basis points hike in September because the US economy is starting to respond to policy but interest rates need to move toward "restrictive" territory. "Restrictive is somewhere in the 3.5% to 3.75% range, and I am hopeful we will get there by the end of the year," he said. With a current Fed Fund Target Range of 2.25% to 2.75%, Mr. Bostic would seemingly be indicating one 50bp hike in September and a 25 basis points hike at each of the following two meetings (or 50 basis points at each of the next two meetings) to get us up 100 basis points by the end of the year.

Recent indicators of spending and production have softened. Nonetheless, job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures. Russia's war against Ukraine is causing tremendous human and economic hardship. The war and related events are creating additional upward pressure on inflation and are weighing on global economic activity. The Federal Open Market Committee is highly attentive to inflation risks.

FINANCIAL IMPACT:
As inflationary pressures persist, the economy broadly strengthens and the labor market tightens, we expect the Committee to continue tightening monetary policy throughout 2023. Financial markets are also adjusting to indicate that the inflation rate is high enough to warrant concern.

ATTACHMENTS AND/OR REFERENCES (If any):
1) April through June 2022 Investment Portfolio