

Agenda Report



MEETING DATE: Tuesday, July 9, 2024

TO: City Council

FROM: ADMINISTRATIVE SERVICES DIRECTOR DURAN

**SUBJECT: MOTION TO ACCEPT JULY 2023 THROUGH MARCH 2024
INVESTMENT REPORTS**

RECOMMENDED ACTION:

The City Council is asked to accept the Investment Reports.

BACKGROUND:

It is recommended that the Council accepts the Investment Reports for the period of July 2023 through March 2024 by motion.

DISCUSSION:

The City's idle funds are invested to earn a competitive yield and accommodate the City's need for liquidity. Idle funds are only invested in investment types/instruments approved by the Council. Every January, the Council re-adopts the City's Investment Policy. As shown on Table 1 below, the City's Investment Portfolio in March 2024 was \$45.5 million. 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 like 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 in Table 1.

Table 1

	Jan	Feb	Mar
Cash Invested (\$MM)	134.1	137.5	139.3

City's Average Yield	5.02%	5.05%	5.08%
LAIF Yield	4.01%	4.12%	4.23%
LAIF Cash Invested (\$MM)	45.5	45.5	50.5

THE ECONOMY

Economists have revived speculation about an imminent cut in interest rates, hinting that more of its officials may be close to backing a pivot away from the highest borrowing costs in 16 years. The Federal Reserve Bank has left the key rate on hold at 5.25%. This rate affects various interest rates, including those for mortgages, car loans, and savings accounts. The interest rate adjustment is meant to help manage inflation and stabilize the economy. California, which is a significant part of the U.S. economy, is significantly impacted by these changes in interest rates. Locally, the higher interest rates have benefited us as we have increased our interest revenue earnings.

STRATEGIC PLAN:

4-Fiscal Health

FINANCIAL IMPACT:

Interest rates are at their highest level in 22 years after the most aggressive rate hikes in four decades. The City benefits from higher interest earnings because of the higher interest rate.

ALTERNATIVE ACTION:

No reasonable alternatives are known currently.

ATTACHMENTS AND/OR REFERENCES (If any):

- 1) 23-24 Investment Report Q1
- 2) 23-24 Investment Report Q2
- 3) 23-24 Investment Report Q3