



CITY COUNCIL AGENDA REPORT

MEETING DATE: Tuesday, February 24, 2026
TO: CITY COUNCIL
WRITTEN BY: ACCOUNTANT I GETREU
RECOMMENDED BY: ADMINISTRATIVE SERVICES DIRECTOR DURAN
APPROVED BY: TAMARA VIDES, CITY MANAGER

SUBJECT: MOTION TO ACCEPT OCTOBER 2025 THROUGH DECEMBER 2025
INVESTMENT REPORT

RECOMMENDATION:

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 October 2025 through December 2025 by motion.

DISCUSSION:

The City's idle funds are invested to earn a competitive yield and to accommodate the City's liquidity needs. 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 December 2025 was 126.4 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.

Six years ago, the City added a new Investment Instrument to its Portfolio: the California Asset Management Program. This Program has been around since 1989 and has been serving the investment needs of public agencies. CAMP is a pool, which is a short-term cash reserve portfolio and cash management vehicle. The investment is AAA rated by Standard & Poor's. They offer same-day liquidity,

competitive yield, and monthly interest payments and zero out pocket expenses. The City’s current investment in CAMP is in the amount of 107.6 million dollars.

PORTFOLIO RESULTS:

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

	Oct	Nov	Dec
Cash Invested (\$MM)	120.6	121.0	126.4
City’s Average Yield	4.40%	4.39%	3.97%
LAIF Yield	4.26%	4.25%	4.03%
LAIF Cash Invested (\$MM)	13.7	13.7	18.7

THE ECONOMY:

The Federal Reserve (The Fed) through the Federal Open Market Committee (FOMC) meeting in December 2025 voted to lower the federal funds rate by a quarter percentage points, or 25 basis points, setting the new range at 3.50-3.75%.

At the most recent FOMC meeting in January 2026, the FOMC kept the federal funds rate unchanged. Federal Reserve Chair Jerome Powell noted that there are signs of stabilization and improvements in the economy. Additionally, Powell emphasized that the Committee remains data-dependent and cautious due to lingering inflation and uncertainty about the impact of tariffs.

During the quarter, labor-market conditions remained relatively stable overall despite softer momentum. The Bureau of Labor Statistics (BLS) reported an unemployment rate of 4.6% in November 2025 and a slight decrease to 4.4% in December 2025. Core Consumer Price Index (Core CPI), which measures inflation excluding food and energy, showed modest but steady increases during the quarter. According to the BLS, Core CPI rose 0.2% from September 2025 to November 2025, and 0.2% from November 2025 to December 2025. Due to a federal shutdown, the BLS did not publish the October 2025 Employment Situation report due to the lack of data collection during the shutdown. These figures suggest inflation remained persistent but cooled toward the end of the quarter, matching the Fed’s view that the economy is showing signs of improvement and that inflation has slowed down but remains above its target.

According to the U.S. Census Bureau, consumer spending held steady throughout the quarter. Retail and food services were down 0.1% from September to October 2025 and up 0.6% from October to November 2025. These results are aligned with the Fed’s projection that U.S. real GDP was picking up in the fourth quarter. However, the Committee emphasized that there’s uncertainty about the economic outlook, which remains elevated.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) DETERMINATION:

The preparation and submittal of the investment report is not subject to CEQA, as the action is not a project as defined in Section 15378(b)(2) of the Public Resources Code, and therefore no further review is required.

STRATEGIC PLAN:

This Investment Report addresses the following Strategic Plan:

Fiscal Health

FINANCIAL IMPACT:

Changes in the Federal Reserve rates directly impact the interest cities earn on short-term investments. Following the December 2025 and January 2026 FOMC meetings, the Fed lowered the federal funds rate to 3.50-3.75%, as Federal Reserve Chair Jerome Powell noted that economic activity has been expanding at a moderate pace. The decision will likely result in reduced interest earnings to yield in the 2026 calendar year.

ALTERNATIVE ACTION:

No reasonable alternatives are known currently.

ATTACHMENTS AND/OR REFERENCES (IF ANY):

- 1) October through December 2025 Investment Report Q2