



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Cash Management Report For FY
2023-2024 Third Quarter Ended
March 31, 2024

DATE: April 29th, 2024

City Administrator Approval


Jestin Johnson (May 14, 2024 08:53 PDT)

Date: **May 14, 2024**

RECOMMENDATION

Staff Recommends That The City Council Receive The Informational Cash Management Report For Fiscal Year 2023-2024 Third Quarter Ended March 31, 2024.

EXECUTIVE SUMMARY

As a continued best practice and in accordance with the City's Investment Policy, the Finance Department submits a quarterly informational cash management report to the City Council. For Fiscal Year 2023-2024 Third Quarter ending March 31, 2024, the City's Operating Pool Portfolio had a balance of \$2.15 billion and yielded 4.52 percent, while the Successor Agency's Portfolio had a balance of \$15.97 million and yielded 5.30 percent.

BACKGROUND / LEGISLATIVE HISTORY

The Cash Management Report summarizes the characteristics of the investment portfolios for the quarter. The City and Successor Agency's Portfolio composition includes safety, creditworthiness, liquidity, and diversity. As of March 31, 2024, the portfolios comply with the Investment Policy of the City for Fiscal Year (FY) 2023-24. The portfolios' credit quality remains high and well within Investment Policy parameters. Liquidity remains sufficient to meet projected cash flow needs for the next six months.

Attachment A provides each portfolio's current market value and yield as of March 31, 2024, as well as comparisons to other market benchmarks. This report confirms that no leverage (use of debt to supplement investments) was utilized, nor were derivatives (such as interest rate swaps, futures, or options) held during the reporting period. Also included are reviews of key economic factors that may affect the portfolio's potential investment results.

ANALYSIS AND POLICY ALTERNATIVES

Cash Position

The City's Operating Pool Portfolio balances increased from \$2.08 billion as of December 31, 2023, to \$2.15 billion as of March 31, 2024. This net balance increase was mainly due to the following: receipt of \$101.33 million in business tax revenues, and receipt of \$69.45 million in property tax revenues, offset by debt service payments of approximately \$29.1 million. The remaining balance decrease of approximately \$70.96 million is due to the receipt of other revenues, such as Sales Tax, offset by operational expenses, such as payroll and vendor payments.

The Successor Agency's portfolio increased from a balance of \$14.96 million as of December 31, 2023, to a balance of \$15.97 million as of March 31, 2024. The portfolio increased due to the receipt of \$16.35 million for the Recognized Obligation Payment Schedule ("ROPS"), offset by debt service and transfer payments of approximately \$15.78 million, as well as other vendor payments.

The City's and Successor Agency's investment portfolios are effectively managed for safety, liquidity, and yield, in compliance with the City's Investment Policy, which supports the Citywide priority of **responsive and trustworthy government**.

Yield Comparison

The effective rate of return on total assets in the City's Operating Pool Portfolio for the month ending March 31, 2024, was 4.52 percent. The effective rate of return on total assets in the Successor Agency's Portfolio for the month ending March 31, 2024, was 5.30 percent. The yields differ between the City and Successor Portfolios because the Successor Portfolio has a lower fund balance and a shorter investment horizon due to cash flow needs. The City Portfolio has a more stable long-term investment horizon, allowing for longer-term securities that typically have higher yields. Note that the current yield curve is relatively inverted, and short-term securities are yielding higher returns than long term securities.

The City Portfolio underperformed the one-year government agency benchmark, which had a yield of 5.14 percent, as the 1-year government agency yield has already priced in future interest rate expectations, and City Portfolio slightly outperformed the Local Agency Investment Fund (LAIF), which had a yield of 4.23 percent.

The performance comparison to LAIF, should be considered in the context of LAIF's historical tendency to lag market changes in rising and falling interest rate environments. Moreover, the City does not actively sell securities in the portfolio to take advantage of cyclical swings in the market, which could result in the loss of principal. Rather, the primary investment objective of the City for the portfolio is to maximize safety, liquidity, and return in that respective order.

FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost.

PUBLIC OUTREACH / INTEREST

This item did not require additional public outreach other than posting on the City's website.

COORDINATION

This report was prepared by the Finance Department and Treasury Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: The Cash Management Report summarizes the characteristics of the investment portfolios for the quarter. The portfolios' credit quality remains high and well within the City's Investment Policy parameters. Liquidity for both portfolios remain sufficient to meet the City's projected needs.

Environmental: To the extent that new investment opportunities are found in companies if or when financially prudent that are involved in environmentally positive activities, the City will consider investing in these companies (i.e., Commercial Paper, Medium Term Notes, etc.) if permitted by the City Investment Policy.

Race & Equity: There are no race & opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends that The City Council Receive The Informational Cash Management Report For Fiscal Year 2023-2024 Third Quarter Ended March 31, 2024.

For questions regarding this report, please contact David Jones, Treasury Administrator, at (510) 238-6508.

Respectfully submitted,



[Erin Roseman \(May 9, 2024 13:32 EDT\)](#)

ERIN ROSEMAN
Director of Finance, Finance Department

Reviewed by:
David Jones, Treasury Administrator
Treasury Bureau

Max Kumar, Investment & Operations Manager
Treasury Bureau

Prepared by:
Vivian Woo, Treasury Analyst III
Treasury Bureau

Attachments (1):

A: Cash Management Report for Fiscal Year 2023-2024 Third Quarter Ended March 31, 2024