



# AGENDA REPORT

**TO:** Jestin D. Johnson  
City Administrator

**FROM:** Erin Roseman  
Director of Finance

**SUBJECT:** Cash Management Informational  
Report For the Quarter Ended  
September 30, 2023

**DATE:** October 16<sup>th</sup>, 2023

City Administrator Approval

Date: Oct 30, 2023

## **RECOMMENDATION**

**Staff Recommends That The City Council Receive The Informational Cash Management Report For The Quarter Ended September 30, 2023.**

## **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 the quarter ending September 30, 2023, the City's Operating Pool Portfolio had a balance of \$1.97 billion and yielded 4.19 percent, while the Successor Agency's Portfolio had a balance of \$16.17 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 September 30, 2023, 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.

Provided in **Attachment A** are each portfolio's current market value and yield as of September 30, 2023, 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.

Finance and Management Committee  
November 14<sup>th</sup>, 2023

## **ANALYSIS AND POLICY ALTERNATIVES**

### ***Cash Position***

The City's Operating Pool Portfolio balances decreased from \$2.17 billion as of June 30, 2023, to \$1.97 billion as of September 30, 2023. This net balance decrease was mainly due to the following estimates: receipt of \$6.59 million in business tax revenues, receipt of \$25.17 million in property tax revenues, offset by debt service payments of approximately \$73.63 million. The remaining balance decrease of approximately \$156.66 million is due to receipt of other revenues, such as Sales Tax offset by operational expenses such as payroll and vendor payments.

The Successor Agency's portfolio decreased from a balance of \$23.96 million as of June 30, 2023, to a balance of \$16.17 million as of September 30, 2023. The portfolio decreased due to bond excess proceed transfer payments of \$ 10.64 million per the bond expenditure agreement, and other vendor payments.

### ***Yield Comparison***

The effective rate of return on total assets in the City's Operating Pool Portfolio for the month ending September 30, 2023, was 4.19 percent. The effective rate of return on total assets in the Successor Agency's Portfolio for the month ending September 30, 2023, was 5.30 percent. The yields are different 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 currently is relatively inverted, and short-term securities are yielding higher returns than long term securities.

The City Portfolio underperformed the one-year government agencies benchmark, which had a yield of 5.33 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 3.53 percent.

The performance comparison to LAIF, should be considered in context of LAIF's historical tendency to lag market changes in both 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**

There are no budget implications associated with this informational report.

### **PUBLIC OUTREACH / INTEREST**

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

### **COORDINATION**

This report was prepared by the Finance Department, 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 remains 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:*** The City has not done analysis for race & equity.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Receive The Cash Management Report For The Quarter Ended September 30, 2023.

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

Respectfully submitted,



Erin Roseman (Oct 30, 2023 12:59 PDT)

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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 the Quarter Ended September 30, 2023***