



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

June 18, 2024

{{section.number}}c

### FILING OF THE TREASURER'S REPORTS ON INVESTMENTS FOR THE CITY AND THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY FOR THE CITY OF CORONADO FOR THE QUARTER ENDING MARCH 31, 2024

#### **RECOMMENDATION:**

Examine the quarterly Reports on Investments and direct them to be filed.

#### **BACKGROUND:**

In compliance with the City's Investment Policy, staff prepares an investment report and presents it to the City Council for review following the close of each quarter. The report presents investments for both the City and the Successor Agency portfolios. Combined, the book value of these two portfolios totals approximately \$237.3 million in cash and investments as of March 31, 2024.

#### **ANALYSIS:**

This report covers January 1, 2024 through March 31, 2024. Attached is a summary that identifies all investments. This report highlights year-to-date investment earnings relative to the annual budget.

#### **City cash, investments and the percentage of total are as follows:**

|   | Book Value         | % of Total<br>Investments |
|---|--------------------|---------------------------|
| <b>Investments:</b>                                     |                    |                           |
| Local Agency Investment Fund                            | \$ 47,153,985      | 20.87%                    |
| San Diego County Treasurer's Pooled Investment Fund     | 50,646,866         | 22.41%                    |
| CAMP  | 30,000,000         | 13.28%                    |
| US Bank Loan Repayment Fund*                            | 16,653,027         | 7.37%                     |
| Certificates of Deposit with San Diego Private Bank     | 250,000            | 0.11%                     |
| Certificates of Deposit with San Diego Private Bank     | 20,000,000         | 8.85%                     |
| US Money Market   | 14,465             | 0.01%                     |
| US Treasury Bills                                       | 39,998,498         | 17.70%                    |
| OPEB and Pension Trust Investment Portfolio with PARS** | 15,433,000         | 6.83%                     |
| <b>Sub-Total Investments</b>                            | <b>220,149,841</b> | <b>97.42%</b>             |

**Demand Deposit Accounts:**

|  |                       |              |
|--|-----------------------|--------------|
| US Bank Operating Account                | 5,308,966             | 2.35%        |
| US Bank HRA Account                      | 43,254                | 0.02%        |
| US Bank FSA Account                      | 83,684                | 0.04%        |
| CalPrivate Bank Money Market Account     | 388,565               | 0.17%        |
| <b>Sub-Total Demand Deposit Accounts</b> | <b>5,824,469</b>      | <b>2.58%</b> |
| <b>Total All Investments</b>             | <b>\$ 225,974,310</b> |              |

\* Restricted for public use capital improvements

\*\* Restricted for Other Post Employment Benefits (OPEB) and Pension stabilization

**PARS Market Value as of March 31, 2024 totaled \$20,130,506**

City investment earnings for January 1, 2024, through March 31, 2024, were \$2,131,094, or 44.83% of the fiscal year budget projection of \$4,753,720, with returns averaging 3.43% annually. The following schedule compares the book value, market value, and year-to-date earnings of investments for the current period, January through March 2024, and the same period of the last Fiscal Year.

| As of:               | Book value of Investments | Market value of Investments | FYTD Investment Earnings | Average Investment Annual Return |
|----------------------|---------------------------|-----------------------------|--------------------------|----------------------------------|
| Jan - Mar FY 2022-23 | \$ 204,135,030            | \$ 202,381,209              | \$ 2,246,504             | 1.47%                            |
| Jan - Mar FY 2023-24 | 220,149,841               | 223,798,534                 | 5,670,770                | 3.43%                            |

**Successor Agency cash, investments and the percentages of the total are as follows:**

|                                   | Book Value           | % of Total Investments |
|-----------------------------------|----------------------|------------------------|
| Local Agency Investment Fund      | \$ 11,227,066        | 99.53%                 |
| Cash in Bank at Union Bank        | 53,558               | 0.47%                  |
| <b>Total Cash and Investments</b> | <b>\$ 11,280,624</b> | <b>100.00%</b>         |

Earnings for the Community Development/Successor Agency for the period January 1, 2024 through March 31, 2024 were \$121,551. Attached are investment summaries for the City and Successor Agency and monthly reports for March 31, 2024, with market values for all investments.

**Market Update**

- ❖ The Federal Reserve influences interest rates by periodically setting a target for a specific rate known as the federal funds rate. This is the rate that banks charge each other for overnight loans between their accounts at the Federal Reserve. The rate is set by the Federal Open Markets Committee (FOMC), a 12-member panel that includes the Fed governors and a portion of the regional Fed presidents.
- ❖ The federal fund rate has remained between 5.25% to 5.5% since July 2023. The Federal Reserve seems optimistic that inflation will resume its downward trend this year, but wants to see that trend firmly established before considering rate cuts. Accordingly, the rate cuts may not happen until later in the year.

- ❖ The April 2024 Consumer Price Index (CPI) rose 3.4% year-over-year, a slight downtick from the 3.5% rise in March 2024. This softer-than-expected month-over-month decrease is primarily due to smaller gains in the cost of services, while stronger gains in rent and gasoline prices continued.
- ❖ With the Federal Reserve's interest rate cuts now expected to be delayed longer than initially anticipated, the yield curve continues to be inverted, indicating higher short-term yields than longer-term ones. Accordingly, the City's investment allocation continues to focus on higher short-term yield products with twelve months or less maturity periods.

## **Investment Allocation Changes**

### **Quarter-Ending Changes for March 31, 2024:**

- Established a trust account to purchase US Treasury Bills, yielding between 5.23% and 5.31%, with maturity periods of 13-week and 26-weeks.
- The California Asset Management Program (CAMP) account was established, and the City deposited \$30 million, yielding 5.49%.
- Rebalanced the Local Agency Investment Fund and San Diego County Treasurers' Pooled Investment Fund to \$47.2 million and \$50.6 million, respectively. The average yields range between 3.84% and 4.12% as of February 2024.

### **Planned Changes for Quarter-Ending Changes for June 30, 2024:**

- Approximately \$10.1 million of 13-week US Treasury Bills matured and were reinvested to a 26-week US Treasury Bill, yielding 5.26%.
- CAMP: \$40 million was transferred from the Local Agency Investment Fund (\$20 million) and San Diego County Treasurers' Pooled Investment Fund (\$20 million). CAMP's yield as of May 30, 2024 is 5.44%.
- Certificates of Deposit: \$10 million of 6-month Certificates of Deposit matured and were reinvested at a 12-month maturity term, earning 5.30%.
- All investment allocation changes comply with the City's investment policy and sufficient liquidity is maintained for operating needs.

### **FISCAL IMPACT:**

The City receives funds from many sources, which it invests according to the City of Coronado Investment Policy. All investments are made with the primary objectives of safety, liquidity, and yield, in that order. The funds of the Successor Agency to the Community Development Agency are also invested according to the City of Coronado Investment Policy.

### **ALTERNATIVE:**

The City Council may discuss and direct changes to the investment portfolio.

### **CALIFORNIA ENVIRONMENTAL QUALITY ACT:**

Not Applicable.

### **PUBLIC NOTICE:**

No notice required.

### **ATTACHMENTS:**

1. Investment Summary as of March 31, 2024 for the City of Coronado and City of Coronado acting as the Successor Agency to the Community Development Agency.

2. Local Agency Investment Fund (LAIF), City's account for March 2024.
3. County of San Diego (COSD) General Ledger Statement for March 2024
4. CAMP Statement March 2024.
5. US Bank Loan Repayment Fund Statement for March 2024.
6. CalPrivate Bank CDARS Statement for March 2024.
7. US Money Market and Treasury Bills Statement March 2024.
8. Public Agency Retirement Services (PARS) Account Statement for March 2024 including OPEB and Pension Trust Investment Accounts.
9. Union Bank Operating Account Statement for March 2024.
10. Union Bank HRA Account Statement for March 2024.
11. Union Bank FSA Account Statement for March 2024.
12. Cal Private Bank Statement for March 2024.
13. LAIF Community Development Agency's account for March 2024.

Submitted By: Administrative Services Department / John Kim