



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

April 16, 2024

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### 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 DECEMBER 31, 2023

#### RECOMMENDATION:

Examine the quarterly Reports on Investments and order them filed.

#### BACKGROUND:

In compliance with the City's Investment Policy, staff prepares an investment report and presents this 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 \$235.1 million in cash and investments as of December 31, 2023.

#### ANALYSIS:

This report covers the period October 1, 2023 through December 31, 2023. 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 Investments
<b>Investments:</b>		
Local Agency Investment Fund	\$ 64,722,749	28.89%
San Diego County Treasurer's Pooled Investment Fund	99,753,330	44.52%
US Bank Loan Repayment Fund*	16,521,919	7.37%
Certificates of Deposit with San Diego Private Bank	20,250,000	9.04%
OPEB and Pension Trust Investment Portfolio with PARS**	15,433,000	6.89%
<b>Sub-Total Investments</b>	<b>216,680,998</b>	<b>96.71%</b>
<b>Demand Deposit Accounts:</b>		
US Bank Operating Account	6,783,442	3.03%
US Bank HRA Account	70,017	0.03%
US Bank FSA Account	125,860	0.06%
CalPrivate Bank Money Market Account	400,046	0.18%
<b>Sub-Total Demand Deposit Accounts</b>	<b>7,379,365</b>	<b>3.29%</b>
<b>Total All Investments</b>	<b>\$ 224,060,362</b>	

\* Restricted for public use capital improvements

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

PARS Market Value as of December 31, 2023 totaled \$19,195,453

City investment earnings for the period October 1, 2023 through December 31, 2023, were \$1,862,015, or 39.17% of the fiscal year budget projection of \$4,753,720, with returns averaging 3.27% annually. The following schedule shows a comparison between the book value, market value, and year to date earnings of investments for the current period, October through December 2023, and the same period of last Fiscal Year.

As of:	Book value of Investments	Market value of Investments	FYTD Investment Earnings	Average Investment Annual Return
Oct - Dec FY 2022-23	\$ 201,630,579	\$ 199,350,810	\$ 1,634,413	1.62%
Oct - Dec FY 2023-24	216,680,998	219,787,729	3,539,676	3.27%

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

	Book Value	% of Total Investments
Local Agency Investment Fund	\$ 9,588,193	87.16%
Cash in Bank at Union Bank	1,412,333	12.84%
<b>Total Cash and Investments</b>	<b>\$ 11,000,526</b>	<b>100.00%</b>

Earnings for the Community Development/Successor Agency for the period October 1, 2023 through December 31, 2023 were \$111,873. Attached are investment summaries for the City and Successor Agency and monthly reports for December 31, 2023, with market values for all investments.

**Investment Allocation Changes**

- ❖ The federal fund rate remains at 5.25% to 5.5% since July of 2023. The Federal Open Market Committee (FOMC) predicted three rate cuts in 2024. The Federal Reserve also indicated that it could lower rates by this summer. The timing of the reduction will depend on officials becoming more secure that inflation will continue to decline towards the Federal Reserve’s 2% target.
- ❖ February 2024 Consumer Price Index (CPI) rose by 3.2% on a year-over-year basis, a slight uptick from the 3.1% rise in January 2024. While this report showed continuing ease of inflationary pressure, the path to the 2% target may take longer than previously anticipated.
- ❖ The yield curve continues to be inverted indicating higher short-term yields than longer-term yields. Accordingly, the City’s investment allocation continues to focus on higher short-term yield products with maturity periods of twelve months or less.

**Quarter-Ending Changes for December 31, 2023:**

- During December 2023, a total of \$20 million (M) was transferred from the Local Agency Investment Fund, to purchase six-month (\$10M) and twelve-month (\$10M) CDs, fully FDIC insured through Certificate of Deposit Account Registry Services (CDARS). The annual yields range between 4.75% and 5.15%.

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

- US Treasury Bills: Established a trust account to purchase \$40M in US Treasury Bills, yielding between 5.23% and 5.31%, with maturity periods of 13-week and 26-week.
- California Asset Management Program: Established an account and the City deposited \$30M, yielding 5.48%.

- Rebalanced the Local Agency Investment Fund and San Diego County Treasurers' Pooled Investment Fund to \$44.7M and \$49.7M, respectively. The annual yields range between 4.12% and 3.84%.
- 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:**

None.

**CALIFORNIA ENVIRONMENTAL QUALITY ACT:**

Not Applicable.

**PUBLIC NOTICE:**

No notice required.

**ATTACHMENTS:**

1. Investment Summary as of December 31, 2023 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 December 2023.
3. County of San Diego (COSD) General Ledger Statement for December 2023.
4. US Bank Loan Repayment Fund Statement for December 2023.
5. CalPrivate Bank CDARS Statement for December 2023.
6. Public Agency Retirement Services (PARS) Account Statement for December 2023 including OPEB and Pension Trust Investment Accounts.
7. Union Bank Operating Account Statement for December 2023.
8. Union Bank HRA Account Statement for December 2023.
9. Union Bank FSA Account Statement for December 2023.
10. Cal Private Bank Statement for December 2023.
11. LAIF Community Development Agency's account for December 2023.

Submitted By: Administrative Services Department / John Kim