



REPORT to the MAYOR and MEMBERS of the CITY COUNCIL
From the CITY MANAGER

DATE: February 13, 2024

SUBJECT: Treasurer's Report for the Quarter Ending
December 31, 2023

ISSUING DEPARTMENT: Finance Department – City Treasurer

SUMMARY

PORTFOLIO VALUE:

The City's portfolio ended the quarter with a market value of \$72,718,913. This represents a discount of \$2,551,277 from par value, or purchase price. As the City maintains an Investment Policy that follows a strict "buy and hold" strategy, there is no economic gain or loss upon call or maturity. The City's securities continue to earn interest at the stated rates through the dates of redemption.

LIQUIDITY:

Liquidity meets the statutory requirements with \$24,662,190 in LAIF for immediate availability. "LAIF" stands for Local Agency Investment Fund, and is operated by the California State Treasurer to act as an immediate-access account for local governments and special districts in California.

EARNINGS:

Investment earnings from the invested portfolio of government agency bonds, corporate securities, and certificates of deposit, but excluding LAIF, for the current quarter collected from October 1, 2023, through December 31, 2023, total \$285,523, which represents an annualized rate of 2.26%. Investment earnings from LAIF for the current quarter total \$238,885, which represents an annualized rate of 3.87%. Combined, investment earnings were \$524,407, representing a total annualized rate of return of 2.79% for this quarter. Please note that this represents interest payments and dividends actually earned by the City during the quarter, and may not necessarily reflect all interest payments and dividends payable to the City for the current quarter due to differing payment schedules and variable interest rates.

City's Strategic Goal

**To maintain a financially sound and affordable
city government**

SAFETY

Federal Agencies

- Carry the implied guarantee of the United States government

Corporate Securities

- The City's Investment Policy requires ratings of Double A (AA) or better

Certificates of Deposit

- Guaranteed by the FDIC to \$250,000

Local Agency Investment Fund (LAIF)

- Managed by the California State Treasurer; consists primarily of U.S. Treasuries, government agency bonds, and other short-term investments.

LIQUIDITY

The City's LAIF balance of \$24,662,190 represents the City's immediate cash and is 36.66% of the portfolio. Additionally, as investments mature, they can be reinvested at then-current rates or redeemed to provide additional operating cash. The invested portfolio of government agency bonds, corporate securities, and certificates of deposit has an average maturity of 2.5 years with \$3,975,000 maturing within one year for added liquidity.

EARNINGS

As noted above, the City's portfolio earned \$524,407 this quarter, representing an annualized yield of 2.79%.

PORTFOLIO PROFILE

To achieve the City’s strategic goal, the City’s primary investment objectives, in order of priority, are: **Safety, Liquidity, and Earnings**. Key to each of these objectives is a well-diversified portfolio that minimizes credit and interest rate risk and provides necessary liquidity. The City’s portfolio is designed to meet these objectives as summarized in the following table which is presented at par values. This table represents the City’s holdings as of December 31, 2023:

Years to Maturity	Government Agencies	Corporate Securities	Certificates of Deposit	LAIF	Totals	%of Portfolio	Interest Rate
0 – 1	1,000,000	500,000	2,975,000	24,662,190	29,137,190	38.71%	2.76%*
1 – 2	7,000,000	0	2,464,000	-	9,464,000	12.57%	2.42%
2 – 3	16,000,000	1,000,000	2,977,000	-	19,977,000	26.54%	1.32%
3 – 4	9,000,000	0	3,958,000	-	12,958,000	17.22%	3.15%
4 – 5	1,750,000	0	1,984,000	-	3,734,000	4.96%	5.23%
Totals	34,750,000	1,500,000	14,358,000	24,662,190	75,270,190	100.00%	
Portfolio %	46.17%	1.99%	19.08%	32.76%	100.00%		
Interest Rate	2.24%	1.82%	2.87%	3.87%	2.89%		

**Interest rate for assets with 0-1 years to maturity excludes LAIF*

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PORTFOLIO ACTIVITY

During the quarter, one federal agency bond was purchased, three certificates of deposit matured, and one federal agency bond was called. No other holdings in the City's portfolio matured, were called, or were purchased.

<u>Federal Agencies Purchased:</u>	<u>Maturity</u>	<u>Rate</u>	<u>Par Value</u>
FHLMC (callable)	5 year	6.25%	\$1,000,000

<u>Certificates of Deposit Matured:</u>	<u>Maturity</u>	<u>Rate</u>	<u>Par Value</u>
Wells Fargo Bank	5 year	3.55%	\$249,000
National City Bank	5 year	3.40%	\$245,000
Merrick Bank South	4.5 year	2.40%	\$249,000

<u>Federal Agencies Called:</u>	<u>Maturity</u>	<u>Rate</u>	<u>Par Value</u>
FHLMC	5 year	5.00%	\$1,000,000

PORTFOLIO COMPLIANCE

The portfolio complies with California code sections concerning safety and liquidity in the investment of public funds. Investment strategies are based on liquidity requirements and interest rate projections and have been collaboratively determined by the City Treasurer, City Manager, and Director of Finance. The City Treasurer executes trades in accordance with these strategies.

Required Contents of Investment Reports

California Government Code Section 53646(b) suggests that the quarterly investment report of a local agency contain certain items. These items include the type of investment, the issuer's name, the date of maturity of the security, the par amount of the instrument, the market value, and the dollar amount invested in each security. The source of the market value also should be included in the report. The report also must reference all funds that are under the management of external investment providers, such as investment advisors and investment managers. A local government's quarterly report, if submitted, must state the portfolio's compliance with the agency's investment policy or manner in which the portfolio is not in compliance. Finally, the investment report must include a statement regarding the local agency's ability to meet its cash flow needs for the next six months.

Accordingly, I advise you of the following facts in compliance with Government Code Section 53646(b):

1. The source of the valuations included herein is U.S. Bank, Saint Paul, MN 55107.
2. No funds are under the management of external providers or managers. Investment decisions are made by a consensus of the City Treasurer, City Manager, and Director of Finance.
3. The City's portfolio remains in strict compliance with the Investment Policy of the City of La Mesa for FY 2023-2024.
4. The City of La Mesa's investment portfolio more than adequately assures the City's ability to meet its cash flow needs during the ensuing six months.

Reviewed by

Respectfully submitted by

Greg Humora
City Manager

Matt Strabone
City Treasurer

Attachments:

- A - Schedule of Investments – Summary
- B - Schedule of Investments – Detail