



## ADMINISTRATIVE SERVICES DEPARTMENT

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### AUDIT COMMITTEE STAFF REPORT

Meeting: Janaury 26, 2026

#### Subject

Receive the Treasurer's Investment Report for the Quarter Ending December 31, 2025

#### Recommended Action

Receive the Treasurer's Investment Report for the Quarter Ending December 31, 2025

#### Reasons for Recommendation

##### **Background**

On May 20, 2025, the City Council approved the City Investment Policy. Per the City's Investment Policy, the Treasurer shall submit a quarterly investment report to the City Council approximately 45 days following the end of the quarter. In addition to the quarterly investment reports, monthly transaction reports are submitted to the City Council within 30 days of the end of the reporting period per California Government Code Section 53607. The quarterly investment report offers a more extensive discussion of the City's economy, cash flow, and investments.

The City's Municipal Code Section 2.24.050 Investment Authority states that the Treasurer shall make a monthly report of all investment transactions to the City Council. The City's Municipal Code Section 2.48.020(A)(3) states that the Director of Administrative Services shall be appointed Treasurer and also shall act as ex officio Assessor and shall assess and collect all City taxes save and except for those collected by State and County officers for the City. Lastly, the City's Municipal Code Section 2.88.100 Duties-Powers-Responsibilities lists one of the powers and functions of the Audit Committee is "to review the quarterly Treasurer's Investment report."

Per the referenced code provisions, a Treasurer's Investment Report is made available to the City Council quarterly.

##### **Treasurer's Investment Report**

The report provides an update on the City's investment portfolio for the month ending December 31, 2025. The report is as of Janaury 22, 2026.

The attached statements include balances and transactions of the City's investments with the Local Agency Investment Fund (LAIF) and Chandler Asset Management. The Chandler investment report provides information on the investment type, issuer, purchase date, maturity date, cost value, par value, and market value for each security, as well as the weighted average maturity and weighted average yield of all investments.

While not governed by the City's Investment Policy, statements for the Public Agency Retirement Services (PARS) Section 115 Trusts are also attached per a request from the Treasurer's Report subcommittee.

The City's General Ledger cash and investments balance is \$309.0 million, a \$7.6 million increase from the prior quarter.

<b>Cash and Investments – General Ledger Balance</b>		
<b>Fund Type</b>	<b>Quarter Ending September 30, 2025</b>	<b>Quarter Ending December 31, 2025</b>
General Fund	189,088,236	199,397,467
Special Revenue	45,510,313	45,016,324
Debt Service	2,676,600	2,436,800
Capital Projects	42,460,112	41,770,662
Enterprise	11,059,635	10,455,113
Internal Service	10,592,591	9,930,897
<b>Total</b>	<b>\$301,387,488</b>	<b>\$309,007,263</b>

Note: Beginning balances have been updated to account for any final adjustments made as part of the month-end close that could not be completed before the prior report's preparation, including Cost Allocation charges between departments and bank fees. Although these fees were recorded timely, due to a system glitch, they were not reflected in the prior report.

The City pools cash for all funds except restricted funds. However, the City accounts for interest earnings, revenues, and expenditures separately for each fund to adequately meet the purpose and restrictions of each funding source. Pooling funds is a common and appropriate practice used in public agencies. By pooling funds, the City can benefit from economies of scale, diversification, liquidity, and ease of administration.

The table below shows the bank balances for the City's cash and investments. Bank and General Ledger balances differ due to timing. Bank balances do not include outstanding checks and deposits in transit. The General Ledger is updated quarterly with interest earnings and annually with the year-end investment market values.

### Cash and Investments – Bank Balance

	Quarter Ending September 30, 2025	Quarter Ending December 31, 2025	% of Portfolio
<b>Cash in banks and on hand</b>			
Operating Checking (Wells Fargo)	5,268,303	7,023,661	2%
Workers' Compensation Checking (Wells Fargo)	22,912	19,225	0%
Payroll Checking (Wells Fargo)	-	-	0%
Restricted for Bond Repayments <sup>1</sup> (BNY Mellon)	-	-	0%
<b>Cash Equivalents</b>			
Local Agency Investment Fund	68,800,823	73,252,391	24%
<b>Investments</b>			
Investments (Chandler)	202,164,870	203,529,920	66%
Restricted for Pension <sup>2</sup> (PARS)	25,665,064	26,228,208	8%
<b>Total Cash and Investments<sup>3</sup></b>	<b>\$301,921,972</b>	<b>\$310,053,405</b>	<b>100%</b>

<sup>1</sup> Cash held by fiscal agent for bond repayments

<sup>2</sup> In accordance with GASB 67/68, the assets in the Section 115 Pension Trust are reported as restricted cash and investments in the General Fund. The assets can only be used to fund CalPERS costs.

<sup>3</sup> Assets in the Section 115 OPEB Trust are excluded as the City cannot use these assets to fund its own operations. The assets are held in trust for retirees' post-employment health benefits.

<sup>4</sup> Beginning December 31, 2024, Investment amount reflect cost value.

#### *Wells Fargo Accounts*

The City, in collaboration with Chandler and Wells Fargo's relationship manager, continues to evaluate options to maximize investment opportunities for excess funds held in the City's operating account. As previously reported, the operating account was converted to a "Government Advantage Checking" account, which offers full FDIC insurance and an interest rate of 3% through March 31, 2025. As of the end of the December 2025 quarter, there has been no change to the interest rate.

To support the effective deployment of funds and minimize idle cash balances, the City has developed an internal cash flow model that projects monthly cash inflows and outflows. This model enables the City to maintain a lower balance in its operating account while still meeting operational needs. The model also incorporates expected seasonal fluctuations in major revenue sources (e.g., property and sales tax) and expenditure patterns (e.g., CalPERS UAL and insurance obligations).

To maintain daily liquidity, the City utilizes the Local Agency Investment Fund (LAIF) as a buffer for short-term needs. The combination of the Government Advantage Checking account and LAIF, along with the City's investment portfolio, provides a diversified and flexible approach to managing public funds in alignment with the City's Investment Policy objectives of safety, liquidity, and return.

Staff will continue refining the cash flow model and evaluating investment options to enhance returns while prioritizing that adequate liquidity is preserved for City operations.

*Local Agency Investment Fund (LAIF)*

LAIF is an investment pool administered by the State of California Treasurer and governed by California Government Code. The City can withdraw funds from LAIF at any time. As a result, the City uses LAIF for short-term investment, liquidity, and yield. The City's LAIF account had a balance of \$73.3 million. The quarterly interest rate was 4.20%.

*Investment Portfolio*

In FY 2018-19, the City conducted a Request for Proposal (RFP) for investment management services and selected Chandler Asset Management. Under the City's Treasurer's direction, Chandler Asset Management manages the City's investment portfolio in accordance with the City's investment objectives. The City's investment objectives, in order of priority, are to provide:

- Safety to ensure the preservation of capital in the overall portfolio
- Sufficient liquidity for cash needs
- A market rate of return consistent with the investment program

The performance objective is to earn a total rate of return through a market cycle equal to or above the return on the benchmark index. Chandler Asset Management invests in high-quality fixed-income securities consistent with the City's Investment Policy and California Government Code to achieve the objective.

The portfolio's total market value was \$207.3 million, compared to \$205.1 million at the end of the previous quarter. The portfolio's market value fluctuates depending on interest rates. When interest rates decrease after an investment is purchased, the market value of the investment increases. In contrast, when interest rates increase after an investment is purchased, the market value of the investment decreases. At the time of purchase, the City intends to hold all investments until maturity, meaning that changes in market value will not impact the City's investment principal. If the market value decreases, the City will incur an unrealized loss. However, the loss will only be realized if the City sells its investments before their maturity. The market values for the portfolio were provided by Chandler Asset Management.

*Section 115 Trust Investment Portfolio*

The City established Section 115 Trusts to reduce pension rate volatility and pre-fund Other Post-Employment Benefits (OPEB) costs. These trusts are a tax-exempt investment tool that local governments can use to set aside funds for pension and retiree health costs. Contributions made to the trust can only be used to fund retirement plans.

Investments in the Section 115 Trusts are governed by separate investment policies, which are distinct from the City's Investment Policy. On December 3, 2024, City Council approved the Pension Trust Investment Policy and OPEB Trust Investment Policy. Public Agency Retirement Services (PARS) administers the trust, while US Bank manages the investments in accordance with the approved investment policies.

Both Section 115 Trusts are invested in "balanced" portfolios. The investment objective is designed to provide a moderate amount of current income with moderate growth of capital. This type of investment strategy is generally recommended for investors with a long-term horizon. The strategic asset allocation ranges for this investment objective are:

The Section 115 Pension Trust had a balance of \$26.2 million, an increase of \$0.6 million from the prior quarter due to investment gains. The Section 115 OPEB Trust had a balance of \$46.1 million, an increase of \$0.1 million from the prior quarter mainly due to investment gains. The quarterly investment return for OPEB Trust and Pension Trust was 2.27%.

### **Compliance**

All of the City's investments comply with state law and the City's Investment Policy. In compliance with California Government Code 53646 (b)(3), the City maintains the ability to meet its expenditure requirements for the next six months.

### Sustainability Impact

No sustainability impact.

### Fiscal Impact

No fiscal impact.

### City Work Program Item/Description

None

### City Council Goal

Fiscal Strategy

### California Environmental Quality Act

Not applicable.

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Prepared by:



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Acting Director of Administrative Services and City Treasurer

Approved for Submission by: 

Tina Kapoor  
City Manager

Attachments:

- A – Chandler Investment Report December 2025
- B – Chandler Custodial Statement December 2025
- C – PARS Pension and OPEB Account Statement December 2025
- D – LAIF Account Statement December 2025