



CITY OF MENIFEE

SUBJECT: Treasurer's Report Quarterly Update

MEETING DATE: May 15, 2024

TO: Mayor and City Council

PREPARED BY: Ann-Marie Etienne, Finance Manager

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Receive and file the quarterly Treasurer's Report as of March 31, 2024.

DISCUSSION

Attached is the signed Treasurer's Report for Cash and Investments as of March 31, 2024 and summarized below is the quarterly investment review for January 2024 through March 2024.

This Treasurer's Report is distinguished from the regular monthly report in that it includes more in-depth disclosure and review of investment activities over the past three months. The City of Meniffee's investment objectives in order of priority, are to provide safety to ensure the preservation of capital in the overall portfolio, provide sufficient liquidity for cash needs and a market rate of return consistent with the investment program. To achieve these objectives, the City invests in high quality fixed income securities consistent with the current investment policy (*Policy No. CC-11*) and California Government Code.

Quarterly Review: 1st Quarter (January 2024- March 2024) Investment Summary

With a favorable interest market throughout the period in review, the City's investment portfolio continued to perform strongly during the first quarter of 2024, yielding additional interest revenue to support municipal services. The City's investment approach balances its investments between short-term investment portfolio to long-term investments. Beginning with the designation of the Chief Financial Officer (CFO) as the City Treasurer in the fall of 2023, the City has taken some additional efforts to maximize investments opportunities in a fiscally prudent, but proactive manner.

Overall Investment Portfolio Composition

During the first quarter of 2024, the City began to participate in the California Asset Management Program (CAMP) investment pool. Staff identified an opportunity to further diversify the current investment portfolio, and thereby maximize investment opportunities by participating in this program. Historically, the City has participated in the Local Agency Investment Fund (LAIF) state investment pool program. This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office professional investment staff at no additional cost to the taxpayer. Both CAMP and LAIF investments represent short-term money market portfolios, which seeks to preserve principal, provide daily liquidity and earn a high level of income, consistent with its objectives of preserving principal. During the first quarter period, the City also maintained long-term investments through support of investment consulting firms of Piper Sandler and Chandler Asset Management ("Chandler"). Additionally, on March 26, 2024, staff presented the Finance Committee with a review of the current long-term investments structure, with a recommendation to move forward with expanding the investment portfolio managed by Chandler, and consolidation of long-term investments with Chandler, as an investment advisor. By diversifying investments between short-term and longer-term investments, the City is able to retain the needed cash flow to fund current expenditures, but also maximize and maintain stability in investments. Short-term investments carry more fluctuations in investment returns.

Overall Investment Portfolio Performance

With respect to the City's short-term investments, LAIF and/or CAMP investment pools, on March 31, 2024 CAMP's rate was 5.48% while LAIF's rate was 4.23%. The quarter ending March 31, 2024 produced the following results: CAMP accrued \$931,668 in cash dividends and income and LAIF accrued \$635,665 interest. On the longer-term investment component of the portfolio, Piper Sandler accrued \$173,119 interest and Chandler accrued \$88,434 in interest income. As is the case with most of the current fiscal year, the short-term investment yields have been providing higher returns than long-term investments as the Federal Reserve has sustained higher interest rates thus far. However, future changes in interest rates would most immediately impact the short-term rates received.

TABLE 1: QUARTER 1 OVERALL INVESTMENT PORTFOLIO PERFORMANCE

Investment Portfolio	Investment Type/ Investment Category	Beginning Market Value 1/1/2024	Ending Market Value 3/31/2024	Investment Returns (Cash Dividends/ Interest)
CAMP	Pool/ Short-Term	\$35,300,000	\$100,731,668*	\$931,668
LAIF	Pool/ Short-Term	\$63,274,464	\$10,910,130*	\$635,665
Piper Sandler	City Investments/ Long-Term	\$64,196,350	\$64,424,280	\$173,119
Chandler Asset Management	City Investments/ Long-Term	\$10,952,070	\$10,987,226	\$88,434

*A transfer of \$53 million occurred on 2/6/24 from LAIF to CAMP, which accounted for the largest transfer into CAMP.

Cash Held Outside City Funds

As noted in the monthly Treasurer's Report there are some specific funds held outside the City's custody, and held instead by Wilmington Trust, designated trustee. These funds relate to the Total Road Improvement Program (TRIP), and Streetlight Retrofit debt service payments, as well as the bonded Community Facilities Districts (CFDs) bond proceeds and debt service payments. Pursuant to the Trustee agreements in place, Wilmington Trust oversees the investment of these funds. The average yield return of these funds is summarized within the corresponding section of the Treasurer's Report (attached).

STRATEGIC PLAN OBJECTIVE

Thriving Economy

FISCAL IMPACT

The acceptance of the quarterly Treasury Report does not result in additional fiscal impacts to the City. The City's investment activities summarized in the report, overall, provide additional revenue in interest earnings, available to support delivery of municipal services.

ATTACHMENTS

1. Treasurer's Report
2. CAMP Statements January 2024 through March 2024
3. LAIF Investment Statements January 2024 through March 2024
4. U.S. Bank Piper Sandler Investment Statements January 2024 through March 2024
5. U.S. Bank Chandler Investment Statements January 2024 through March 2024