



DATE: December 4, 2023

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Jessie Gooch, Finance Director
Corey Garberolio, Assistant Director of Finance
Janine Tedrow, Finance and Accounting Manager

SUBJECT: Resolution to Receive and File the City Treasurer's Quarterly Report Dated September 30, 2023

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution to Receive and File the City Treasurer's Quarterly Report Dated September 30, 2023.

BACKGROUND

Pursuant to the City's Investment Policy and California Government Code, the City Council annually delegates authority to the City Treasurer to invest or reinvest City funds. The City Council previously approved the City of Petaluma Investment Policy on June 5, 2023, Resolution no. 2023-079 N.C.S, which delegated investment authority to the City Treasurer for the Fiscal Year 2023-24. The focus of the Investment Policy is to comply with all laws of the State of California pertaining to the investment of public funds, safeguard the principal of funds under its control, meet the daily cash flow requirements and to achieve a reasonable rate of return with the maximum security. Therefore, the majority of the City's investments are held in U.S. Treasury and federal agency securities.

The City Treasurer is required to provide a quarterly investment report to the Council that includes the status of the investment portfolio. (Government Code Section 53646). The attached reports outline the current investments, the weighted average and yields of pooled investments in California Asset Management Pool (CAMP), investments managed by Public Financial Management (PFM), and earnings received by investments in the Local Agency Investment Fund (LAIF). The reports also include the Treasurer's certification of adequate cash flow. This is the first quarterly report for Fiscal Year 2023-2024.

DISCUSSION

It is the policy of the City of Petaluma to manage public funds in a manner consistent with the laws of the State of California pertaining to the investment of public funds. Three primary goals of the City are to safeguard the principal of funds under its control; meet the City's daily cash flow requirements; and achieve a reasonable rate of return with the maximum amount of security possible. The attached City Treasurer's Quarterly Report contains information on the City's cash activity and ending balances in all City accounts. Each report also:

- Summarizes total beginning balances of all cash and investments, and total quarterly activity and ending balances.
- Provides quarterly activity and ending balances in the City's cash equivalent accounts and information about trustee account activities and ending balances.
- Provides information on investment portfolio activity, security type, maturity and value, and book and fair value.
- Compares the City's investment earnings with the City's benchmark.

The City's benchmark for investments managed by PFM is the Merrill Lynch 1-3 year US Treasury index as provided by Bloomberg Financial Markets. The City's return outperformed the benchmark by .09% for the quarter ended 9/30/23. The average yields on the PFM Managed Account, LAIF and CAMP were 3.54%, 3.59% and 5.55% respectively. For comparison purposes, the City's portfolio yield to maturity on the Managed Account excludes unrealized gains and losses.

PUBLIC OUTREACH

This agenda item appeared on a tentative agenda in the previously published agenda packet, which was publicly noticed through appropriate City communications channels. This item was also published in compliance with the California Brown Act.

ENVIRONMENTAL REVIEW

This action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, as approving the City's investment policy does not meet CEQA's definition of a "project," because the action does not have the potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, it is a fiscal activity which does not involve commitment to any specific project, and because the action constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

FINANCIAL IMPACTS

The balance of cash and investments as of September 30, 2023 was \$202 million. This is down \$14 million from the balance at the end of June 30, 2023. The decrease is mainly due to large Capital Improvement Project payments during the quarter. The net investment earnings during the quarter ending September 30, 2023 were \$1,582,190.

ATTACHMENTS

1. Resolution
2. Exhibit A - City Treasurer's Quarterly Report dated September 30, 2023