

## Responses to Council Questions and Comments

4/7/2025

### **Item #4: Resolution to Receive and File the City Treasurer's Quarterly Report Dated December 31, 2024**

- **Question: The balance of cash and investments as of December 31, 2024 was \$188 million, up \$3 million from September 30, 2024. Given the uncertainty related to the stock market, how protected is this fund and what might happen if there is a large market drop? Are these funds available to compensate for loss of Federal funding?**
  - Response: The City's total cash and investment balance of \$188 million as of December 31, 2024, includes cash for all City funds, including Enterprise funds, CIP funds and other spending-restricted sources. Currently, between current year appropriations and the upcoming proposed budget book, all anticipated revenue as well as most available fund balance will be utilized over the next 15 months, leaving little remaining to potentially offset any loss of federal dollars without removing appropriations from another program.

The growth over the quarter of \$3.2 million was largely driven by the receipt of property tax revenue, which is typically received in the second and fourth quarters of the fiscal year. Interest rates held strong in the second quarter, giving the City an average of over 4% returns for the quarter. Looking forward, between anticipated Fed rate decreases and fluctuations in Treasury bill rates, interest rates will likely decrease.

The City does have a conservative Investment Policy, which prioritizes safety, liquidity, and return on investment. To be clear, the City is not permitted to invest in any stock or equity investments, so there is no exposure to fluctuations in the stock market. The City also does not invest in Corporate Notes or other investments that could be deeply impacted by stock market fluctuations, instead focusing on the State of California Local Agency Investment Fund (LAIF), the California Asset Management Program Trust (CAMP), and U.S. Treasury issuances. The Finance Department works closely with the City's financial managers, PFM, to ensure that the City's resources are properly safeguarded while also out-earning inflation.