



STAFF REPORT

TO: HONORABLE MAYOR AND COUNCIL MEMBERS

FROM: Dennis Bozanich, Administrative Services Director

DATE: October 20, 2026

SUBJECT: Receive and File Investment Reporting Catch-up for Quarters Ending December 31, 2023 through June 30, 2026

Recommendation: 1) Receive and File a Catch-up Report for December 31, 2023 through June 30, 2026, 2) Acknowledge that the portfolio did not fully comply with the Investment Policy for the five quarter ends from December 31, 2023 through December 31, 2024, and that the measurable investment limits were met beginning March 31, 2025, and 3) Direct staff to resume quarterly investment reporting and retain the forecasts, statements and review records required by the Investment Policy.

BACKGROUND

Section XIII of the City's Investment Policy requires quarterly reports to the City Council. The last completed report covered the quarter ended September 30, 2023. This report brings the reporting current by presenting eleven quarter-end reports from December 31, 2023 through June 30, 2026. A separate item on the October 20, 2026 agenda provides the Investment Report for the quarter ending September 30, 2026. The intent of separating out the latest quarter is to provide the Council and public with an example of how these reports will look going forward. The two items on the agenda bring the Investment Report requirement current.

Each quarterly report must identify the investments held, the institution, maturity date, original cost or deposit amount, market value and interest rate. The report must also address average maturity, current economic conditions, compliance with the Investment Policy and the City's ability to meet six months of anticipated expenditures. The policy also requires review by the Finance Director, City Manager and City Treasurer, followed by a Budget and Audit Committee. This Investment Report is compliant with the required reviews. Attachment C includes the review acknowledgment.

The City places its cash and reserve funds in four entities:

- Union Bank of Switzerland (UBS) Financial Services, a broker dealer for the City's portfolio of US Treasury securities,
- California Asset Management Program (CAMP), a California Joint Powers Authority (JPA) established in 19189 to provide California public agencies with professional investment services;

- Local Agency Investment Fund (LAIF), a voluntary program created in 1977 as an investment alternative for California's local governments and special districts managed by the State Treasurers Office, and
- Bank of America, a commercial bank which provides the City's checking account services.

ANALYSIS

As of June 30, 2026, the City held \$15,893,594.35 in cash and investments, including \$14,108,894.64 in accounts covered by the Investment Policy and \$1,784,699.71 in the Bank of America operating account. The policy portfolio's average maturity was approximately 10.4 months, well below the 30-month limit. The table below summarizes the eleven quarters.

Quarter End	Investments Covered by Policy	Average Time to Maturity	Policy Result	Forecast Six-Month Spending	Enough Projected Resources
12/31/2023	\$13,749,294.99	16.9 months	Not fully compliant	\$5,690,727.53	Yes
03/31/2024	\$13,997,355.59	16.2 months	Not fully compliant	\$5,227,726.60	Yes
06/30/2024	\$13,436,247.22	16.2 months	Not fully compliant	\$5,690,727.53	Yes
09/30/2024	\$13,771,814.78	16.3 months	Not fully compliant	\$5,227,726.60	Yes
12/31/2024	\$12,300,241.89	17.0 months	Not fully compliant	\$5,006,267.33	Yes
03/31/2025	\$12,396,303.73	12.2 months	Complies	\$5,804,616.59	Yes
06/30/2025	\$15,020,609.16	9.2 months	Complies	\$6,285,140.33	Yes
09/30/2025	\$13,021,262.70	10.8 months	Complies	\$5,536,737.83	Yes
12/31/2025	\$11,944,545.11	10.6 months	Complies	\$5,146,076.35	Yes
03/31/2026	\$13,520,355.56	10.3 months	Complies	\$5,775,046.81	Yes
06/30/2026	\$14,108,894.64	10.4 months	Complies	\$7,269,117.00	Yes

Forecast methodology. The forecast column estimates external pooled-cash spending during the six months after each quarter end. The first two forecasts use the prior six months of spending, and later forecasts generally use the same six-month period from the prior year. The June 2026 forecast uses one-half of the FY 2026-27 cash-related budget. These forecasts are compared with liquid resources and anticipated receipts to determine whether the City could meet six months of expenditures. Actual spending is shown separately as a later check and was not used to prepare the forecast.

Investment Earnings

To make the results easier to understand, this report separates investment earnings into four parts. Gross interest and dividends are the amounts earned from UBS, CAMP and LAIF. Management fees are the amounts charged by UBS. Realized gains or losses occur when investments are sold for more or less than their recorded cost. Net investment earnings equal gross interest and dividends, minus management fees, plus realized gains or losses. Unrealized changes in market value are not included.

Quarter End	Gross Interest and Dividends	Management Fees	Realized Gain or (Loss)	Net Investment Earnings
12/31/2023	\$31,840.28*	\$0.00	\$2,355.27	\$34,195.55*
03/31/2024	\$93,934.74	\$0.00	\$0.00	\$93,934.74
06/30/2024	\$109,833.89	\$0.00	\$3,490.80	\$113,324.69
09/30/2024	\$96,410.60	\$0.00	\$1,378.80	\$97,789.40
12/31/2024	\$99,430.07	\$0.00	\$1,153.20	\$100,583.27

03/31/2025	\$23,491.11	\$4,140.83	(\$142,222.82)	(\$122,872.54)
06/30/2025	\$163,447.68	\$9,245.50	(\$3,135.91)	\$151,066.27
09/30/2025	\$141,062.73	\$9,468.26	(\$1,117.96)	\$130,476.51
12/31/2025	\$143,101.96	\$9,580.52	(\$721.92)	\$132,799.52
03/31/2026	\$120,451.95	\$8,409.22	(\$5,316.54)	\$106,726.19
06/30/2026	\$139,505.82	\$10,282.77	\$13,863.99	\$143,087.04
Ten Complete Quarters	\$1,130,670.55	\$51,127.10	(\$132,628.36)	\$946,915.09

*December 2023 includes December activity only & is excluded from the ten-complete-quarter total.

Across the ten complete quarters, gross interest and dividends totaled \$1,130,670.55, management fees totaled \$51,127.10, and net realized losses totaled \$132,628.36, resulting in net investment earnings of \$946,915.09. The March 2025 quarter produced a net loss because a \$142,222.82 realized loss exceeded that quarter's interest earnings.

Staff compared these statement-based calculations with the finance-system interest account. The account was used as a reconciliation check rather than the sole source, because some journal entries combine interest, realized gains or losses, management fees and manual adjustments. Future quarterly reports will record or map these components separately so the investment statements and general ledger can be reconciled directly.

Weighted—Average Maturity

The Investment Policy limits the portfolio's weighted-average maturity, or WAM, to 30 months. WAM measures how long, on average, the City's investments will remain invested before repayment. The portfolio ranged from approximately 9 to 17 months during the reporting period and met the policy limit in every quarter. The supporting schedules provide the complete calculation.

Investment Policy Compliance from December 2023 to June 2026

The portfolio did not fully comply with the Investment Policy for the five quarter ends from December 31, 2023 through December 31, 2024. Certificates of deposit and credit-union share certificates represented between 57.6% and 62.1% of the policy portfolio, exceeding the 30% limit. No single certificate issuer exceeded the separate 5% limit.

Two certificates purchased in June 2024 also had original terms longer than the policy's four-year maximum. Government money-market balances appeared in December 2023 and December 2024, but the available records did not include a policy provision or Council resolution authorizing those balances. Beginning March 31, 2025, the portfolio shown in the available statements consisted of U.S. Treasury securities and cash, and the measurable investment limits were met through June 30, 2026.

Six-Month Cash Availability

For each quarter, the report compares cash, pooled investments, investments maturing within six months and anticipated receipts with forecast spending. Projected resources were sufficient to meet forecast spending in all eleven quarters.

At June 30, 2026, the City was projected to have \$7,886,102.03 available during the following

six months, compared with forecast spending of \$7,269,117.00. The resulting projected cushion was \$616,985.03. The detailed calculation is included in the attachment.

As a reasonableness check, each reconstructed forecast was compared with the City's actual cash spending during the following six months. Nine comparisons are complete. The March 31, 2026 comparison currently includes April through June 2026, and the June 30, 2026 comparison will require cash transactions from July through December 2026. These later actual expenditures do not change the forecast that could reasonably have been prepared at each quarter end.

Interest Rates and Economic Conditions

Short-term interest rates were relatively high at the beginning of the reporting period. The Federal Reserve maintained its target range at 5.25% to 5.50% through June 2024 and began reducing rates in September 2024. By December 2025, the target range had declined to 3.50% to 3.75%, where it remained through June 2026. Inflation declined unevenly but remained elevated, while employment conditions gradually softened. Attachment A provides a brief description of economic conditions for each quarter.

FISCAL IMPACT

Receiving and filing this report has no direct fiscal impact, and no additional appropriation is requested. Staff time will be required each quarter to prepare the investment report, update the six-month cash forecast and retain the supporting statements and review records.

CONCLUSION

Based on the available records, the City had sufficient projected resources to meet six months of forecast spending in all eleven quarters, and the portfolio met the policy's average-maturity limit in every quarter. The portfolio did not fully comply for five quarters ending from December 31, 2023 through December 31, 2024. The measurable investment limits were met beginning March 31, 2025. Resuming quarterly reporting will provide the City Council and the public with a regular record of investment performance, liquidity and policy compliance.

ATTACHMENTS

1. Attachment - Clayton Investment Report Catch Up Through 2026-06-30