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# Administrative Report

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Date: November 19, 2024

**To: MAYOR AND CITY COUNCIL**

**From: EUGENE SOLOMON, CITY TREASURER**

**Subject: CITY TREASURER'S FIRST QUARTER 2024-25 REPORT**

## **EXECUTIVE SUMMARY**

The City Treasurer maintains the City's cash flows while earning a competitive rate of return on the Investments within the constraints of the City's investment policy and state law. This City Treasurer's report for the first quarter of fiscal year 2024-2025, details the composition of the investment portfolio and investment transactions occurring during the period of July through September of 2024. Meeder Investment serves as investment advisor to the City Treasurer. The Meeder Investment report with this package includes a comprehensive analysis of the City's investment portfolio and investment market trends.

Notable sections of this report include:

- Treasurer's Portfolio Summary
- Investment Reporting Guidelines
- Investment Report by Meeder Investment
  - Portfolio Summary
  - Investment Policy Compliance Report
  - Investment Activity Report
  - Economic and Market Update

## **City Treasurer's Portfolio Summary**

The market value of the City's general investment portfolio changed to \$92.56MM from \$105.06MM at the end of the prior quarter. This change in the investment portfolio resulted from anticipated fluctuations within the cash flow trends on both general operations and capital improvement program revenue and spending.

Investment portfolio liquidity is 42.14% of the portfolio having maturities of one year or less. The Bank of America General Fund Checking Account ending balance was \$7,621,788.55. It earned a rate of 3.75%, to offset the expenses of banking support services.

## QOQ Comparison of Investment Portfolio Positions

Portfolio positions at the end of each quarter are listed by investment type, dollar amount, and percentage mix of the overall general investment portfolio:

### Composition of Portfolio 2019-Present Comparison of Investment Portfolio Positions

#### FY 2024-2025

Comparison of Investment Portfolio Positions F.Y. 2024-2025								
Investment Type	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
		%						
Cash in Banks	\$7,621,789	*						
Money Market	\$6,410,529	6.86%						
Local Agency Investment Fund	\$104,103	0.11%						
Federal Agency Issues	\$35,668,724	38.19%						
Commercial Paper	\$0	0.00%						
Corporate Medium Term Notes	\$12,463,061	13.35%						
Bank Certificates of Deposit	\$247,995	0.27%						
Treasuries	\$38,496,825	41.22%						
Total: Investment Portfolio	\$93,391,237	100%						
Weighted Average Maturity (Yrs)	1.45							
Portfolio Effective Rate of Return (YTD)	3.21%							
L.A.I.F. Yield	4.58%							
Yield on Benchmark	4.21%							
Interest earned YTD	\$615,313.46							
General Fund Contribution (60%)	\$369,188							

#### FY 2023-2024

Comparison of Investment Portfolio Positions F.Y. 2023-2024								
Investment Type	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
		%						
Cash in Banks	\$6,469,818	*	13,256,219	*	\$11,755,717	*	\$ 10,560,379.31	*
Money Market	\$8,733,993	8.78%	\$19,612,340	19.53%	\$15,881,678	15.37%	\$ 18,202,927.12	16.95%
Local Agency Investment Fund	\$98,106	10.00%	\$100,842	0.10%	\$101,853	0.10%	\$ 102,941.43	0.10%
Federal Agency Issues	\$49,969,031	50.24%	\$48,017,978	47.81%	\$48,066,986	46.52%	\$ 46,615,560.54	43.42%
Commercial Paper	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$ -	0.00%
Corporate Medium Term Notes	\$6,905,358	6.94%	\$2,921,402	2.91%	\$4,468,652	4.32%	\$ 8,405,345.37	7.83%
Bank Certificates of Deposit	\$991,797	1.00%	\$991,856	0.99%	\$991,914	0.96%	\$ 247,964.77	0.23%
Treasuries	\$32,755,612	32.94%	\$28,785,152	28.66%	\$33,811,331	32.72%	\$ 33,785,898.60	31.47%
Total: Investment Portfolio	\$99,453,897	100%	\$100,429,570	100.0%	\$103,322,415	100.00%	\$ 107,360,637.83	100.00%
Weighted Average Maturity (Yrs)	1.96		1.73		1.54		1.39	
Portfolio Effective Rate of Return (YTD)	2.82%		2.96%		2.71%		2.78%	
L.A.I.F. Yield	3.55%		3.93%		4.25%		4.33%	
Yield on Benchmark	2.66%		3.10%		3.53%		3.95%	
Interest earned YTD	\$675,178.00		\$1,260,353.00		\$2,023,050		\$2,773,041	
General Fund Contribution (60%)	\$405,107		\$756,212		\$1,213,830		\$1,663,824.86	

FY 2022-2023

Comparison of Investment Portfolio Positions F.Y. 2022-2023								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%						
Cash in Banks	\$10,955,229	*	9,223,658	*	\$6,359,470	*	\$ 9,742,075	*
Money Market	\$0	0.0%	\$5,149,678	4.38%	\$13,392,052	11.33%	\$ 8,931,843	7.80%
Local Agency Investment Fund	\$16,071,480	14.5%	\$27,137,556	23.1%	\$5,225,372	4.42%	\$ 1,087,813	0.95%
Federal Agency Issues	\$53,439,957	48.3%	\$47,448,367	40.4%	\$56,867,881	48.12%	\$ 56,918,780	49.70%
Commercial Paper	\$0	0.0%	\$0	0.0%	\$0	0.00%	\$0	0.00%
Corporate Medium Term Notes	\$6,981,521	6.3%	\$8,847,387	7.5%	\$8,866,737	7.50%	\$ 8,885,872	7.76%
Bank Certificates of Deposit	\$1,239,564	1.1%	\$991,622	0.8%	\$991,680	0.84%	\$ 991,738	0.87%
Treasuries	\$32,895,368	29.7%	\$27,910,842	23.8%	\$32,831,737	27.78%	\$ 37,713,483	32.93%
Total: Investment Portfolio	\$110,627,890	100%	\$117,485,452	100.0%	\$118,175,459	100.00%	\$ 114,529,529	100.00%
Weighted Average Maturity (Yrs)	1.99		1.72		1.97		1.91	
Portfolio Effective Rate of Return (YTD)	1.51%		1.71%		2.10%		2.29%	
L.A.I.F. Yield	1.60%		2.17%		2.83%		3.17%	
Yield on Benchmark	0.97%		1.38%		1.76%		2.19%	
Interest earned YTD	\$425,011.78		\$952,194.05		\$1,695,368		\$2,435,724	
General Fund Contribution (60%)	\$255,007		\$571,316.00		\$1,017,221		\$1,461,434.40	

FY 2021-2022

Comparison of Investment Portfolio Positions F.Y. 2021-2022								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%		%		
Cash in Banks & Money Markets	\$11,834,546	*	\$11,833,288	*	\$14,063,300	*	\$ 15,087,417	*
Local Agency Investment Fund	\$9,000,500	10.7%	\$20,012,320	21.9%	\$20,018,196	20.81%	\$ 20,033,972	18.43%
Federal Agency Issues	\$30,579,369	36.3%	\$30,574,250	33.5%	\$40,569,151	42.18%	\$ 45,564,006	41.92%
Commercial Paper	\$0	0.0%	\$0	0.0%	\$0	0.00%	\$0	0.00%
Corporate Medium Term Notes	\$15,948,457	19.0%	\$15,957,757	17.5%	\$10,963,900	11.40%	\$ 8,974,595	8.26%
Bank Certificates of Deposit	\$1,735,250	2.1%	\$1,735,339	1.9%	\$1,735,425	1.80%	\$ 1,239,505	1.14%
Treasuries	\$26,896,065	32.0%	\$22,894,191	25.1%	\$22,899,581	23.81%	\$ 32,878,387	30.25%
Total: Investment Portfolio	\$84,159,641	100%	\$91,173,857	100.0%	\$96,186,253	100.00%	\$ 108,690,464	100.00%
Weighted Average Maturity (Yrs)	2.06		1.81		2.03		1.92	
Portfolio Effective Rate of Return (YTD)	2.24%		1.90%		1.53%		1.47%	
L.A.I.F. Yield	0.21%		0.21%		0.22%		0.86%	
Yield on Benchmark	0.76%		0.62%		0.59%		0.68%	
Interest earned YTD	\$497,915.05		\$817,147		\$1,021,840		\$1,342,113	
General Fund Contribution (60%)	\$298,749		\$490,288		\$613,104		\$805,267.80	

## FY 2020-2021

Comparison of Investment Portfolio Positions F.Y. 2020-2021								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%				
Cash in Banks & Money Markets	\$10,855,843	*	\$10,000,681	*	\$5,180,168	*	\$10,538,424	*
Local Agency Investment Fund	\$7,004,742	9.6%	\$15,028,642	19.7%	\$15,039,065	18.30%	\$23,055,498	26.1%
Federal Agency Issues	\$34,598,183	47.2%	\$34,593,480	45.3%	\$34,588,776	42.00%	\$30,054,073	34.7%
Commercial Paper	\$0	0.0%	\$0	0.0%	\$0	0.00%	\$0	0.0%
Corporate Medium Term Notes	\$20,903,182	28.5%	\$20,915,171	27.4%	\$21,927,159	26.70%	\$18,937,844	21.5%
Bank Certificates of Deposit	\$2,726,898	3.7%	\$1,734,986	2.3%	\$1,735,073	2.10%	\$ 1,735,161	2.0%
Treasuries	\$8,053,427	11.0%	\$4,041,832	5.3%	\$8,985,108	10.90%	\$13,890,876	15.7%
Total: Investment Portfolio	\$73,286,432	100.0%	\$76,314,111	100.0%	\$82,275,181	100.00%	\$88,203,451	100.0%
Weighted Average Maturity (Yrs)	1.97		1.68		1.69		1.63	
Portfolio Effective Rate of Return (YTD)	2.10%		2.12%		2.07%		2.00%	
L.A.I.F. Yield	0.68%		0.54%		0.36%		0.26%	
Yield on Benchmark	1.67%		1.45%		1.21%		0.97%	
Interest earned YTD	\$430,578.83		\$815,051		\$1,198,761		\$1,574,081	
General Fund Contribution (49%)	\$210,984		\$399,375		\$587,393		\$771,300	

## FY 2019-2020

Comparison of Investment Portfolio Positions F.Y. 2019-2020								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%		%		%
Cash in Banks & Money Markets	\$8,004,405	*	\$10,421,483	*	\$5,306,333	*	\$ 9,193,009	*
Local Agency Investment Fund	\$7,000,000	8.3%	\$17,052,131	19.7%	\$14,000,000	15.40%	\$ 22,000,000	23.3%
Federal Agency Issues	\$41,455,587	49.1%	\$35,460,741	40.9%	\$40,606,033	44.70%	\$ 38,602,882	40.8%
Commercial Paper								
Corporate Medium Term Notes	\$24,837,904	29.4%	\$22,851,300	26.4%	\$22,865,644	25.20%	\$ 20,891,194	22.1%
Bank Certificates of Deposit	\$3,223,020	3.8%	\$3,222,544	3.7%	\$3,222,661	3.60%	\$ 2,974,779	3.1%
Treasuries	\$7,994,458	9.5%	\$8,041,480	9.3%	\$10,073,719	11.10%	\$ 10,063,635	10.6%
Total: Investment Portfolio	\$84,510,969	100.0%	\$86,628,195	100.0%	\$90,768,058	100.00%	\$ 94,532,490	100.0%
Weighted Average Maturity (Yrs)	2.1		1.89		2.02		1.72	
Portfolio Effective Rate of Return (YTD)	2.23%		2.27%		2.26%		2.22%	
L.A.I.F. Yield	2.28%		2.04%		1.79%		1.20%	
Yield on Benchmark	2.06%		2.08%		2.06%		2.02%	
Interest earned YTD	\$502,505.00		\$973,145		\$1,483,028		\$1,965,199	
General Fund Contribution (44%)	\$221,102		\$428,184		\$652,532		\$864,688	

Comparison of Total Cash and Investments  
2019-Present

	Investments	General Fund	Subtotal	Other Cash	Total
2024-2025	\$ MM	\$ MM	\$ MM	\$ MM	\$ MM
Q1	93.39	7.62	101.01	12.66	113.67
2023-2024	\$ MM	\$ MM	\$ MM	\$ MM	\$ MM
Q4	107.36	10.56	117.92	9.35	127.27
Q3	103.32	11.76	115.08	11.89	126.97
Q2	100.43	13.26	113.69	10.66	124.35
Q1	99.45	6.47	105.92	10.65	116.57
2022-2023	\$ MM	\$ MM	\$ MM	\$ MM	\$ MM
Q1	110.63	10.96	121.59	9.33	130.92
Q2	117.49	9.22	126.71	9.44	136.15
Q3	118.18	6.36	124.54	10.25	134.79
Q4	114.53	9.74	124.27	10.15	134.42
2021-2022	\$ MM	\$ MM	\$ MM	\$ MM	\$ MM
Q1	84.16	11.83	95.99	8.65	104.64
Q2	91.17	11.83	103	8.61	111.61
Q3	96.19	14.06	110.25	9.12	119.37
Q4	108.69	15.09	123.78	8.99	132.77
2020-2021	\$ MM	\$ MM	\$ MM	\$ MM	\$ MM
Q1	73.29	10.86	84.15	6.81	90.96
Q2	76.31	10.00	86.31	7.02	93.33
Q3	82.28	5.18	87.46	7.59	95.05
Q4	88.20	10.54	98.74	7.84	106.58
2019-2020	\$ MM	\$ MM	\$ MM	\$ MM	\$ MM
Q1	84.51	8.00	92.51	5.86	98.37
Q2	86.63	10.42	97.05	6.64	103.69
Q3	90.77	5.31	96.08	7.63	103.71
Q4	94.53	9.19	103.72	7.35	111.07

Yields: The book yield of the portfolio is 3.03%. The effective rate of return for the fiscal year to date is 3.21%. The book yield is a snapshot on a specific day whereas the effective rate of return is annualized return generated for the period.

Investment Portfolio Performance vs. Benchmark: At the end of the quarter, the yield on the City's general investment portfolio was 3.03%. This yield provided a 118 basis point disadvantage to the yield provided by the investment portfolio benchmark, U.S. Treasury Note 0-5 year index (30 month moving average), which yielded 4.21%. The 30 month moving average is used to represent a market rate of return.

Mark to Market: The City Treasurer compares market values of the portfolio holdings to their original cost. At the close of the quarter, the net asset value is \$0.99. That means the Market Value is slightly below the cost of investments. The difference between the book value (cost) of investments at \$93,391,237 and the current market value at \$92,559,242 is \$-831,995.

Cash in Banks:

	As of 9/30/2024
General Fund	\$ 7,621,788.55
Workmen's Compensation Fund	\$ 1,362,907.60
Successor Agency of RDA	\$ 1,755,190.15
Trust Account	\$ 7,614.40
Housing Authority BLKPNDG	\$ 3,183,494.64
Financing Authority	\$ 4,452,346.62
Parking Authority	\$ 1,023.56
Measure R Local Return	\$ 1,769,364.03
City of Redondo Beach - FSA	\$ 132,961.13
Total	\$20,286,690.68

All Agency, Authority and Miscellaneous Funds in Banks

Bank Account Descriptions

General Fund - 201

Into the City's general checking account are deposited most of the City's revenue, including General Fund taxes, grant revenue (with the exception of that for the Housing Authority), Harbor Enterprise rental income, and sewer fees. From the general checking account are automatic transfers to the payroll and warrant accounts (as payments clear the bank) and purchases of investments.

Workmen's Compensation Fund - 210

A Bank of America checking account has been established for the payment of workers' compensation claims. The City's third party administrator, AdminSure, writes the checks from this account on the City's behalf. Monthly, the City replenishes the account with a City Council approved accounts payable check.

Successor Agency of RDA - 213 / Successor Agency of RDA - 694

The Successor Agency to the former Redevelopment Agency maintains both a Bank of America checking account (with a larger balance) and a Bank of America interest checking account (with a smaller balance). A few years ago, the bank changed the accounts to this structure from a checking account and a savings account. The checking account activity reflects biannual deposits of Redevelopment Property Tax Trust Fund (RPTTF) revenue as a result of the Recognized Obligation Payment Schedule (ROPS) process whereby the City reports to the Department of Finance the amount of funding necessary to make its Redevelopment Agency debt service payments (together with the applicable administrative costs). Those debt service payments are then made from this checking account, and the administrative cost reimbursement is transferred to the City's general checking account. The activity in the interest checking account is currently only deposits of interest earned.

#### Trust Account - 212

The Police Department deposits bail money into this checking account and then transfers these funds to the courts by way of checks. The balance of the account has been \$7,364.40 for several years, but it could be higher at the end of the month/quarter if a check is outstanding at the time.

#### Housing Authority – 207/Housing Authority – 023

The Housing Authority maintains both a checking account and a government money market savings account. Into the checking account are deposited grant funds from HUD for operation of the Fair Housing and Section 8 housing programs. Payments to landlords are then made monthly from this account, and periodically a check is written to the City as reimbursement for administrative costs paid by the City on the Housing Authority's behalf. The activity in the government money market savings account is currently only deposits of interest earned.

#### Financing Authority -168

The Community Financing Authority (CFA), a joint powers authority of the City and the Parking Authority, was formed January 31, 2012 when the Kincaid's Restaurant lease was transferred from the Public Financing Authority (PFA), a joint powers authority of the City and the Redevelopment Agency, upon the Redevelopment Agency's elimination by the State. The Financing Authority checking account is used for the lease-related transactions, including rental income, loan payments, sewer user fees, and possessory interest property tax payments.

#### Parking Authority - 675

The Parking Authority was established on March 3, 1969, pursuant to the provisions of the Streets and Highway Code of the State of California. Its primary purpose has been to provide public off-street parking within the City. The Parking Authority is currently inactive with a little more than \$5,000 remaining in a Bank of America interest checking account and a little less than \$5,000 remaining in a LAIF account from its previous activities.

#### Measure R Local Return - 874

Measure R monies come from a 2008 voter-approved ½ cent sales tax levied within Los Angeles County for public transportation purposes. Per a Los Angeles County Metropolitan Transportation Authority (LACMTA) audit recommendation, Measure R monies are to be maintained in a separate bank account. Because expenditures from the Measure R Fund (primarily for capital improvement projects) are paid through the City’s accounts payable system and “General Fund” bank account, this separate Measure R Local Return interest checking account is funded by periodic transfers from the “General Fund” bank account instead of Measure R monies deposited directly to the account.

**City of Redondo Beach – FSA - 825**

The City contracts with Sterling to offer its employees Flexible Spending Accounts (FSAs) which allow the employees to set aside, before taxes, a portion of their yearly income to pay for qualified medical and/or dependent care expenses. These funds withheld from the employees’ paychecks are transferred to this separate checking account each pay period. The medical and dependent care expenses are then paid by Sterling from this account.

LAIF Balances:

**LAIF ACCOUNT SEPTEMBER 2024**

ACCOUNT NAMES	
GENERAL ACCOUNT	\$ 104,102.92
SUCCESSOR AGENCY FOR RDA	\$ 1,988,777.26
PUBLIC FINANCING AUTHORITY	\$ 189,767.38
PARKING AUTHORITY	\$ 5,508.88
Total:	\$ 2,288,156.44

**Trading Activity**

During the quarter, the City purchased five securities. Also, five securities were redeemed.

**Fiscal Impact**

Interest earned year to date is \$615,313.46 for the entire portfolio. The General Fund contribution rate of our investment portfolio is approximately 60% of the total interest earned thus contributing approximately \$369,188 to the General Fund through investment activity. Budgeted contribution of interest to the general fund for the entire fiscal year is \$1,500,000.

**Investment Reporting Guidelines**

Please note the following guidelines from the Government Finance Officers Association *Financial Management Checklists for Elected Officials*.

Always remember whose money it is (it's the community's, not yours)—and act accordingly in a responsible stewardship capacity.

The generally accepted objectives in managing public funds, in priority order, are:

- Safety
- Liquidity
- Yield

An investment manager's objective is to earn a reasonable rate of return on the city's investments, while preserving capital in the overall portfolio. It should *never* be an investment manager's goal to earn *maximum* returns on the city's portfolio as this would expose the city to an unacceptable level of risk. Failures in public investing occur when either:

- Policies were not clear.
- Policies were inappropriate.
- Policies were not followed.
- Oversight was inadequate.

**Questions to Ask:**

- Do you review the investment policy?
- Do you understand the city's investment program?
- Do you receive and review periodic investment reports?
- Are they clear, concise? Are they readable? Do you fully understand them? (If you can't, this is more likely to be because they've been presented poorly, and may in fact reflect problems, than any "technical" problems with your ability to understand them because it's too "complex." First, it's the job of your staff to make them readable and understandable; and secondly, if the city's portfolio is genuinely that complex, perhaps it shouldn't be.)
- Are there lots of investments and transactions? Why? Most cities do not have portfolios that justify "active" management with lots of sales, purchases and trades.
- Are your investments diversified? Or have you placed "all of your eggs in one basket?"
- What ongoing oversight is there? By whom?

Submitted by:  
Eugene Solomon, City Treasurer