

TO: City Council

FROM: Investment Review Committee

DATE: December 3, 2024

SUBJECT: City Investment Review Committee Annual Report

RECOMMENDATION:

1. Receive and file report.
2. Find that this action is not a project as defined under section 15378(b)(5) of the California Environmental Quality Act Guidelines.

LEVINE ACT ITEM: No

FINANCIAL IMPACT:

No Additional Funding Requested. Minimal staff time to complete annual report is included in the Adopted FY 2024-25 General Fund Budget.

BACKGROUND:

The City invests and manages approximately \$365 million in its investment portfolios. These funds include operating funds, bond project and reserve funds, and funds of the former redevelopment agency. The portfolios are invested in accordance with State Law and the City's Investment Policy.

In 1997, City Council created a five-member advisory committee to periodically monitor the City Treasurer's compliance with the Investment Policy. The City Investment Review Committee's (Committee) policies and procedures are set forth in Resolution No. 2017-021. The establishment of the Committee is a practical way to provide oversight and to ensure the City Treasurer invests in a prudent and responsible manner.

The five Committee members must be residents of the City with applicable work experience, training, and background in finance and investments. The members are appointed by City Council to serve two-year staggered terms. The current members are:

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| | <u>Original Appointment</u> | <u>Current 2-Year Term Expiration</u> |
|------------------|---------------------------------|---|
| Davin Carey | 2021 | 2025 |
| Anthony Gonzales | 2021 | 2025 |
| Sheila Moore | 2022 | 2024 |
| John Short | 2007 | 2025 |
| Cody Sorenson | 2020 | 2024 |

The functions and duties of the Committee are:

1. Periodically monitor the City Treasurer's compliance with the Investment Policy and its reporting provisions.
2. Provide a written statement of its findings to City Council on a quarterly basis.
3. Submit an annual report to City Council summarizing the work of the Committee and any recommendations for modification to the Investment Policy.

DISCUSSION/ANALYSIS:

The Committee last presented its annual report to City Council on December 5, 2023. The Committee held regularly scheduled meetings in February, May, August, and November of 2024. Written reports of the Committee's findings, as well as meeting agendas and notes, were sent to City Council each quarter. The Committee finds that the investment portfolio is a mix of low-risk investments in compliance with the Investment Policy.

The terms of members Moore and Sorenson end on December 31, 2024. A 30-day application filing period for the two vacancies was opened on August 20, 2024, and closed on September 19, 2024. Nine applications were received. The reappointments of Cody Sorenson and Sheila Moore were approved by City Council on November 19, 2024.

During the year, the Committee provided guidance on investment options in the current market environment. After dropping the federal funds policy rate to near zero in 2020, the Federal Open Market Committee (FOMC) began increasing the target rate in 2022 to ease inflation. In September 2024, the FOMC felt inflation had made progress toward the two percent objective and job gains had slowed. Therefore, the federal funds policy rate was decreased to a range of 4.75 to 5.00 percent, down from 5.25 to 5.50 percent. This was the first rate cut in four years and was based on numerous economic indicators. The FOMC lowered the target

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range by an additional 25 basis points in November 2024. The FOMC will continue to assess incoming data, the evolving outlook, and balance the risks when evaluating the target rate at future meetings.

The following table demonstrates the change in rates year over year:

| | September 2024 | September 2023 |
|------------------------------|-----------------------|-----------------------|
| City Portfolio | 2.48% | 2.09% |
| Local Agency Investment Fund | 4.58% | 3.53% |
| 2-Year Treasury Note | 3.64% | 5.04% |
| 5-Year Treasury Note | 3.56% | 4.61% |

The portfolio is comprised of nearly 200 securities. Over the last year, the portfolio yield increased by 39 basis points to 2.48 percent from 2.09 percent. The book value of the City's operating portfolio for the quarter ending September 30, 2024, was \$360.6 million, approximately \$13.1 million more than the \$347.5 million balance the previous September.

The Committee reviews the City's Investment Policy (Policy) annually and recommends changes to City Council. This year, the Committee proposes no substantive changes to the Policy. Staff will present the Policy to City Council for its annual consideration as required by the Policy in January 2025.

COUNCIL GOAL COMPLIANCE:

Meets the following City Council goal:

C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.

PREPARED BY: Davin Carey, Investment Review Committee Chair
Jane Adelman, Debt and Investment Analyst