



# STAFF REPORT

AGENDA NO: 9i

MEETING DATE: May 18, 2026

**To: Honorable Mayor and City Council**

**Date: May 18, 2026**

**From: Helen Yu-Scott, Finance Director – (650) 558-7222**

**Subject: Quarterly Investment Report, Period Ending March 31, 2026**

## **RECOMMENDATION**

Staff recommends that the City Council receive and approve the City’s investment report through March 31, 2026.

## **BACKGROUND**

This report represents the City’s investment portfolio as of March 31, 2026. The report includes all invested City funds with the exception of bond proceeds, the City’s account with the California Employers’ Retiree Benefit Trust Fund (CERBT), which is used to pre-fund the City’s retiree medical obligations, and the §115 trust account with the Public Agency Retirement Services (PARS) Pension Rate Stabilization Program. All other investments are covered by and in compliance with the City’s adopted Statement of Investment Policy.

## **DISCUSSION**

The City’s investments are guided by the Statement of Investment Policy (the “Policy”), which the City Council reviews and approvals annually. The City Council last approved the Policy on June 16, 2025. The Policy directs that investment objectives, in order by priority, are safety, liquidity, and return. This conservative approach ensures assets are available for use while also allowing the City to earn additional resources on idle funds. The City utilizes a core portfolio of investments managed by the City’s investment advisor, PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc. (PFMAM), and also maintains funds invested in the State’s Local Agency Investment Fund (LAIF) and the California Asset Management Program (CAMP) to achieve its investment goals.

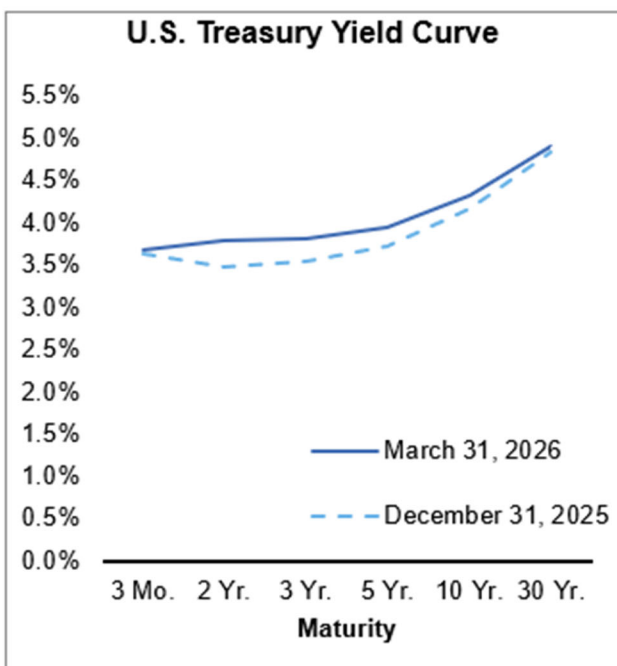
## **CURRENT MARKET CONDITIONS**

Labor market data remained steady with unemployment at 4.3% in March. Monthly payroll employment remained subdued, averaging 68,000 new jobs per month over the quarter. Initial jobless claims held near historically low levels, and continuing claims declined, reinforcing the persistence of a “low-hire, low-fire” environment.

The first quarter of 2026 began with familiar themes: a data-dependent Federal Reserve (Fed) and a constructive risk sentiment across asset classes. The backdrop changed on February 28 when the conflict in Iran began, shifting investor sentiment and significantly repricing markets through the balance of the quarter.

The primary source of market disruption was the effective halt of traffic through the Strait of Hormuz, a critical artery for global oil shipments. As a result, crude oil prices increased by over 60% in March alone. Market volatility indices jumped to 12-month highs, equity markets sold off sharply, and interest rates increased as the implications of rising energy prices pushed up near-term inflation expectations.

Yields on 3-month, 2-year, and 10-year U.S. Treasuries ended March at 3.68%, 3.80%, and 4.32%, representing changes of +4 bps, +32 bps, and +15 bps, respectively, over the past quarter.



Yield Curve History			
Maturity	3/31/2026	12/31/2025	Change
3 Mo.	3.68%	3.63%	0.05%
6 Mo.	3.70%	3.48%	0.22%
1 Yr.	3.66%	3.48%	0.19%
2 Yr.	3.80%	3.47%	0.33%
3 Yr.	3.82%	3.54%	0.28%
5 Yr.	3.94%	3.73%	0.21%
10 Yr.	4.32%	4.17%	0.15%
30 Yr.	4.91%	4.84%	0.07%

The City’s cash, excluding bond proceeds, is pooled for investment purposes. As of March 31, 2026, invested funds totaled \$287,370,274. These investments are assets of the City of Burlingame and include the General Fund, the enterprise funds (such as Water, Sewer, and Solid Waste), as well as various non-major funds. Note that the City’s account with the California Employers’ Retiree Benefit Trust Fund (CERBT), used to pre-fund the City’s retiree medical obligations, is not included in this calculation of the City’s investment portfolio. Similarly, funds held within the City’s §115 Trust account with the Public Agency Retirement Services (PARS) Pension Rate Stabilization Program are not included in this calculation of the City’s investment portfolio.

City’s Investments Market Value As of March 31, 2026	
Main Investment Portfolio	\$135,157,902
Main Investment Portfolio - Cash Balance in Custody Account	\$590,982
CAMP Balance	\$77,242,169
LAIF Balance	\$74,379,221
<b>Total</b>	<b>\$287,370,274</b>

At the end of the quarter, the main portfolio's duration was 2.54 years, slightly higher than the benchmark's duration of 2.47 years. Factoring in liquid investments, such as LAIF and CAMP, the effective duration of the City's aggregate investments was 1.20 years.

The City continues to benefit from a strategy of broad diversification, which serves to reduce the overall risk in the portfolio while providing the opportunity for better returns over the long term, as well as active portfolio management, which seeks to add value by identifying well-priced securities across various sectors.

Please see a summary of transactions for the quarter ending March 31, 2026, below and on the following page:

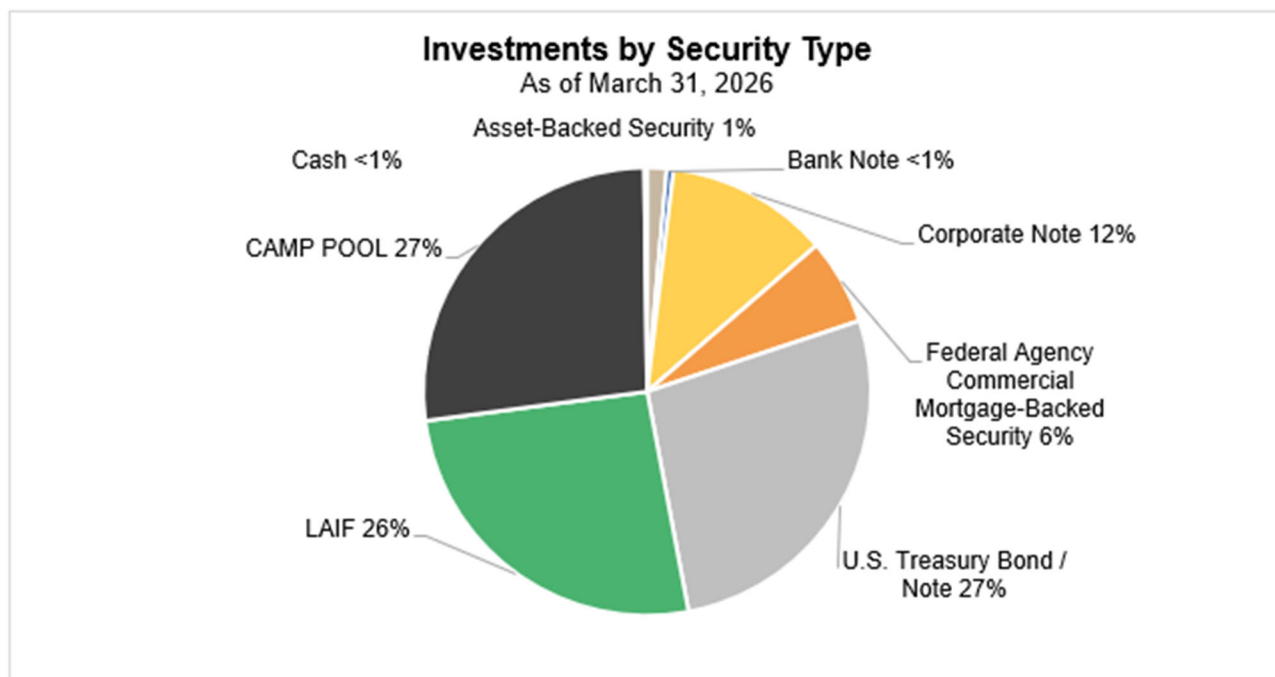
Trade Date	Settlement Date	Transaction	CUSIP	Issuer	Term (Mths)	Coupon	Principal
1/2/2026	1/5/2026	BUY	91282CPR6	US TREASURY N/B	61	3.63%	4,740,000
1/5/2026	1/8/2026	BUY	14913UBH2	CATERPILLAR FINL SERVICE	61	4.15%	135,000
1/6/2026	1/13/2026	BUY	89158TAA7	TOTALENERG I CAP USA LLC (CALLABLE)	61	4.25%	605,000
1/7/2026	1/15/2026	BUY	3137HPU50	FHMS K553 A2	59	4.07%	640,000
1/13/2026	1/21/2026	BUY	89240KAD0	TAOT 2026-A A3	57	3.86%	340,000
1/14/2026	1/22/2026	BUY	06406RCG0	BANK OF NY MELLON CORP (CALLABLE)	49	4.03%	405,000
1/27/2026	1/28/2026	BUY	06406RCG0	BANK OF NY MELLON CORP (CALLABLE)	49	4.03%	1,500,000
2/5/2026	2/10/2026	BUY	91282CPW5	US TREASURY N/B	61	3.75%	1,215,000
3/2/2026	3/2/2026	BUY	91282CQD6	US TREASURY N/B	61	3.50%	1,150,000
3/2/2026	3/3/2026	BUY	92826CAZ5	VISA INC (CALLABLE)	60	4.10%	2,000,000

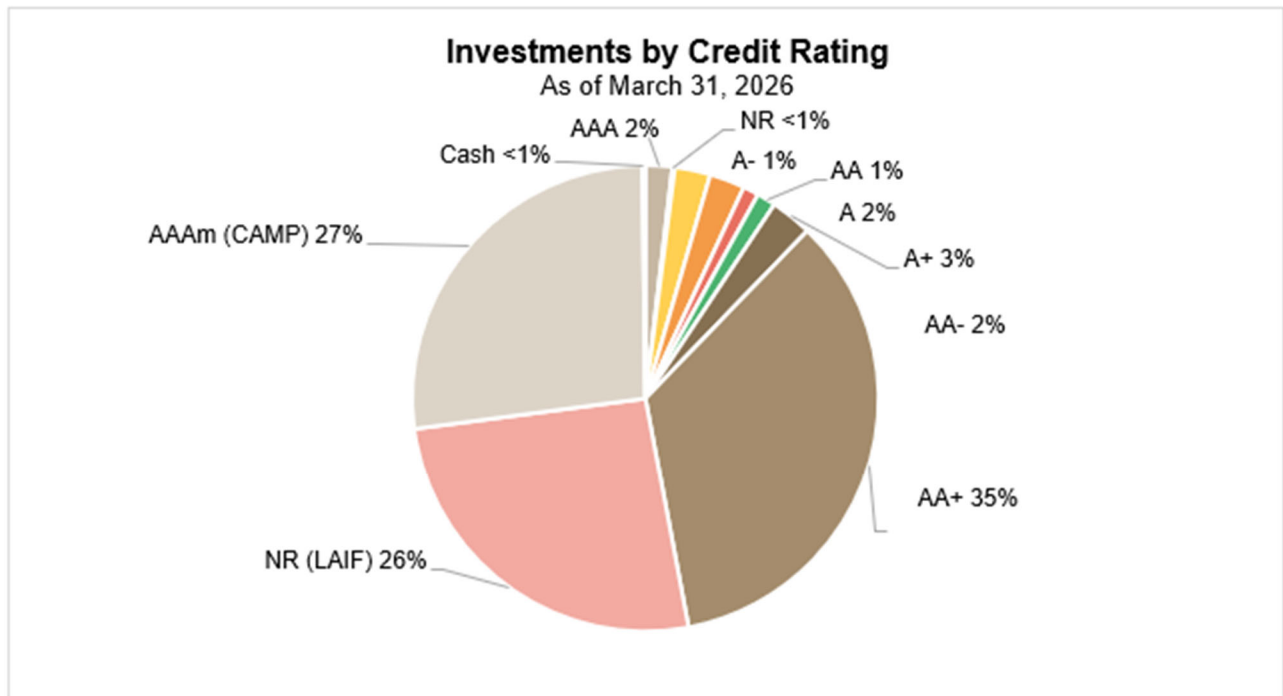
Trade Date	Settlement Date	Transaction	CUSIP	Issuer	Term (Mths)	Coupon	Principal
3/11/2026	3/13/2026	BUY	79466LAR5	SALESFORCE INC (CALLABLE)	37	4.65%	1,000,000
3/16/2026	3/17/2026	BUY	06051GHZ5	BANK OF AMERICA CORP (CALLABLE)	60	2.50%	1,350,000
3/16/2026	3/17/2026	BUY	91282CQD6	US TREASURY N/B	60	3.50%	2,000,000
1/28/2026	1/28/2026	MATURITY	06406RAQ0	BANK OF NY MELLON CORP (CALLABLE)	0	0.75%	1,095,000
2/28/2026	2/28/2026	MATURITY	91282CBQ3	US TREASURY N/B	0	0.50%	2,640,000
1/2/2026	1/5/2026	SELL	9128286A3	US TREASURY N/B	1	2.63%	780,000
1/2/2026	1/5/2026	SELL	91282CBH3	US TREASURY N/B	1	0.38%	1,405,000
1/2/2026	1/5/2026	SELL	91282CBH3	US TREASURY N/B	1	0.38%	1,410,000
1/5/2026	1/8/2026	SELL	91282CPR6	US TREASURY N/B	61	3.63%	130,000
1/6/2026	1/13/2026	SELL	91282CPR6	US TREASURY N/B	60	3.63%	610,000
1/7/2026	1/9/2026	SELL	91282CPR6	US TREASURY N/B	61	3.63%	645,000
1/13/2026	1/14/2026	SELL	91282CNU1	US TREASURY N/B	31	3.63%	340,000
1/14/2026	1/20/2026	SELL	06406RAQ0	BANK OF NY MELLON CORP (CALLABLE)	0	0.75%	405,000
2/5/2026	2/10/2026	SELL	3137HDJJ0	FHMS K522 A2	39	4.80%	608,631
2/5/2026	2/10/2026	SELL	3137HDJJ0	FHMS K522 A2	39	4.80%	608,631

Trade Date	Settlement Date	Transaction	CUSIP	Issuer	Term (Mths)	Coupon	Principal
3/11/2026	3/13/2026	SELL	91282CKG5	US TREASURY N/B	37	4.13%	970,000
3/16/2026	3/17/2026	SELL	06428CAA2	BANK OF AMERICA NA (CALLABLE)	5	5.53%	1,200,000
3/16/2026	3/17/2026	SELL	91282CBT7	US TREASURY N/B	0	0.75%	1,825,000

As always, PFMAM continues to prioritize the safety and liquidity of the City’s investment assets above all else. PFMAM continues to monitor the markets and will recommend relative-value trades as appropriate to safely enhance the City’s portfolio earnings. However, the priority will always be to maintain the safety and liquidity of the City’s investments.

As noted in the following pie charts, the City’s aggregate investment portfolio, as of March 31, 2026, was heavily weighted towards the Local Agency Investment Fund (LAIF) and high-quality (AA+ rated) federal agency and U.S. Treasury securities, to maintain a focus on safety and liquidity.

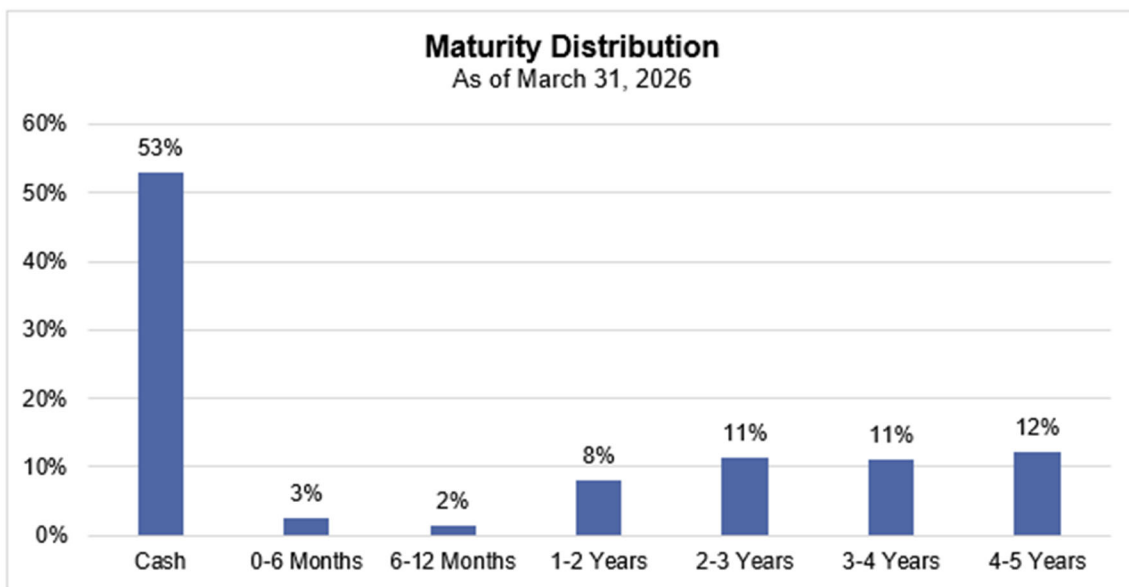




The “BBB+” category comprises securities that are rated in the category of A or better by at least one NRSRO (Nationally Recognized Statistical Ratings Organization), which meets the credit rating criteria established in the City’s Statement of Investment Policy.

The NR category is comprised of securities that are not rated by S&P Global but are rated in the category of A or better by Moody’s and/or Fitch.

As of March 31, 2026, 53% of the City’s funds were invested in very short-term liquid investments; 13% of the funds were invested with maturities between one day and two years; and 34% of the investment portfolio had a maturity ranging from two to five years. This distribution gives the City the necessary liquidity to meet operational and emergency cash needs while maximizing returns on funds not needed in the immediate future. The City’s aggregate investments maintain an effective duration of 1.20 years and currently generate an annual income of 4.04% before investment expenses. The City’s funds are invested in high-quality credit investments and continue to meet the City’s goals of safety, liquidity, and yield/return.



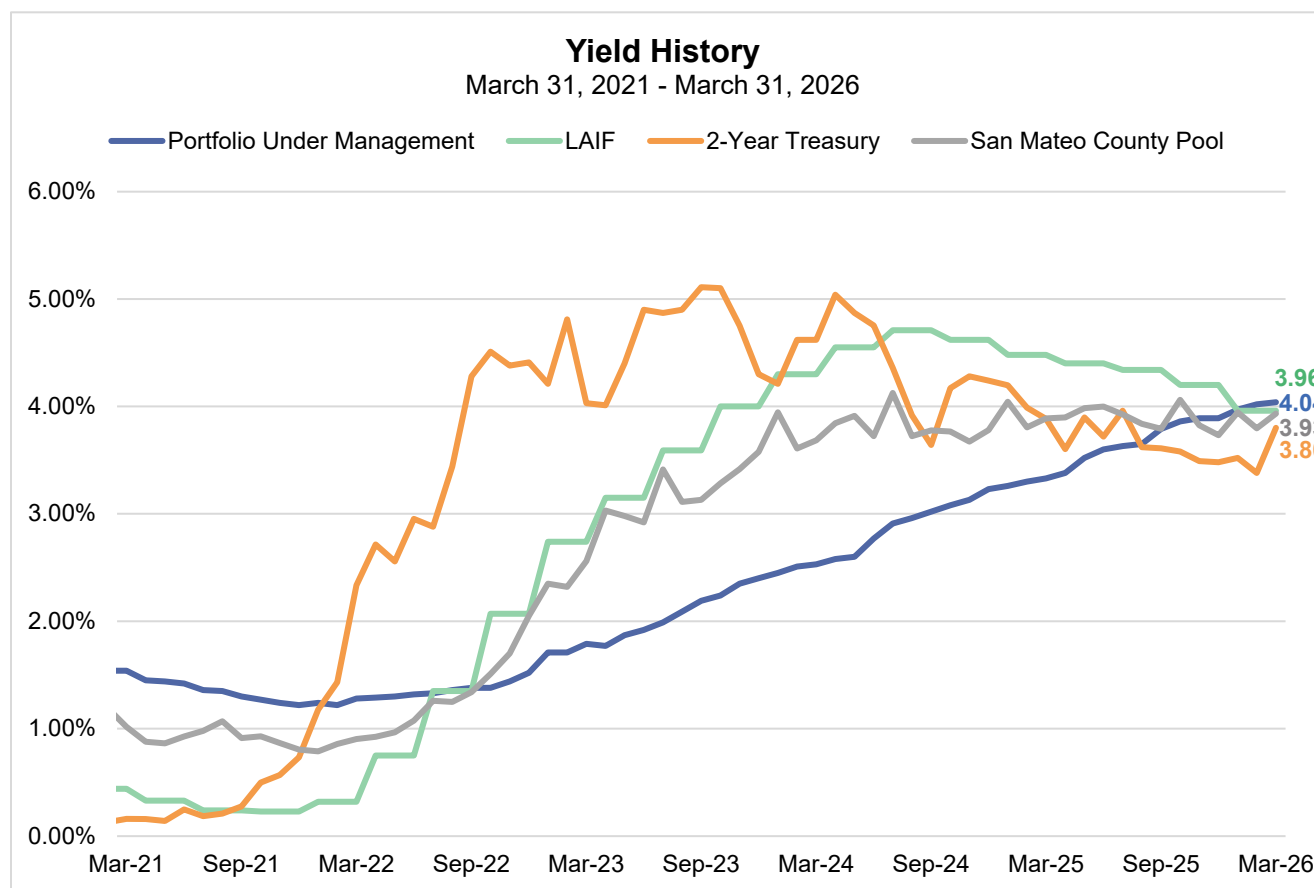
As of March 31, 2026, the yield to maturity at cost on the main portfolio of securities was 4.04%. Including additional investments such as LAIF and CAMP, the average yield to maturity\*\* on the City’s aggregate investments was 3.95%. During the quarter, the main portfolio generated accrual basis earnings of \$1,371,293.

City's Investments Statistical Information	
Market Value	\$287,370,274
Effective Duration	2.54 Years
Average Credit Quality*	AA
Yield to Maturity**	3.95%

\*Ratings by S&P Global. Average excludes 'Not Rated' securities.

\*\*Calculated as a weighted average of the main portfolio's yield at cost as of 3/31/26, the LAIF quarterly apportionment rate for the quarter ended 3/31/26, and CAMP's monthly distribution yield as of 3/31/26.

The chart below compares the yield of the City’s managed portfolio to the yields on the two-year U.S. Treasury note, LAIF, and the San Mateo County Pool. As of March 31, 2026, the gross yield at cost on the City’s managed portfolio was 4.04%.



Below is a summary of cash and investment holdings held by each fund as of March 31, 2026, which includes invested funds, debt service reserves, amounts held in overnight (liquid) accounts, the City's main checking account, and other operating funds:

	Cash and Investments by Fund		
	As of 03/31/2026	As of 12/31/2025	Change \$
General Fund	\$ 32,798,254	\$ 29,682,852	\$ 3,115,403
Capital Project Funds	70,640,736	71,933,658	(1,292,922)
Internal Service Funds	36,495,601	34,803,858	1,691,744
Water Fund	16,501,541	18,094,653	(1,593,112)
Sewer Fund	33,976,612	35,499,567	(1,522,955)
Solid Waste Fund	3,532,470	3,522,095	10,375
Parking Fund	12,910,189	13,172,089	(261,900)
Building Fund	28,207,392	27,977,961	229,431
Landfill Fund	5,299,380	5,143,131	156,249
Debt Service Fund	4,502,989	4,446,227	56,762
Subtotal, Operating Funds	244,865,164	244,276,090	589,075
Other Funds	50,118,447	48,747,299	1,371,149
Total Cash and Investments	\$ 294,983,612	\$ 293,023,388	\$ 1,960,223

Cash holdings in the General Fund increased by nearly \$3.1 million in the quarter. This is mainly due to the receipt of \$5.6 million in property tax revenues, over \$4.6 million in sales taxes and Measure I revenue, and over \$4.7 million in TOT revenue. The receipts were primarily offset by regular operating expenses, the quarterly payments to Central County Fire (\$3.8 million), and transfers to the capital project fund for the design cost of the Parks Corporation Yard project (\$140,000).

The approximately \$1.3 million net decrease in Capital Project Funds reflects several factors, including transfers from the General Fund (\$140,000) and receipt of \$1.1 million from grant reimbursement. There was a decrease of \$3.5 million for large construction progress payments in the quarter, most notably \$1.3 million for the Town Square project, \$118,500 for the Donnelly Parking Garage Elevator project, \$240,800 for the City Facilities' Solar Installation project, \$144,000 for the new City Hall project, and \$102,800 for the One Shoreline project.

The Internal Services Funds' cash holdings increased by about \$1.7 million in the quarter, mainly due to ongoing quarterly contributions from all funds, with no anticipated expenses incurred. The Water Fund decreased by nearly \$1.6 million, reflecting regular cash flow, payments for the 2011, 2013, and 2016 Water Bonds, and capital spending for the North Burlingame Terrace Water Main project. The Sewer Fund's cash holdings decreased by over \$1.5 million, which is mainly due to the timing of payments to Veolia (plant operator) and capital spending for the 1740 Rollins Road Pump Station Force Main project.

Other major receipts included \$540,000 in Storm Drain Fees, \$410,000 in Gas Tax, and \$420,000 in Measure A and Measure W receipts (a combined total), all of which were reflected as an increase of nearly \$1.4 million in "Other Funds."

As for the performance of the City's trust funds, which adhere to different strategies than reflected in the City's Investment Policy for its main portfolio, the most recent statements are attached to this staff report. Because the City's funding of its retiree medical obligations has grown to a relatively healthy level, the City trust account is invested in a less aggressive strategy (Strategy 2) available with the California Employers' Retiree Benefit Trust (CERBT) Fund. The net return for the portfolio for the quarter ending March 31, 2026, was 0.36%; the balance in the City's CERBT account was about \$37.2 million. The attached March 2026 statement for the PARS §115 Trust account, established in October 2017 to fund the City's pension liabilities, shows a negative 0.83% rate of return for the quarter, with a balance of \$28.1 million.

## **CONCLUSION**

All City funds are invested in accordance with the approved Statement of Investment Policy with an emphasis on safety, liquidity, and return (in that order). The City's investment strategy of balancing the investment portfolio between short-term investments (to meet cash flow needs) and longer-term maturities (to realize a higher rate of return) is appropriate given current market conditions.

Due to the ease of access to the City's funds in liquid accounts such as LAIF and CAMP, the City has more than sufficient funds available to meet its liquidity (expenditure) requirements for the next six months.

Staff and the City's investment advisor will continue to closely monitor the City's investments to ensure the mitigation of risk and the ability to meet the City's investment goals while being able to respond to changes in market conditions.

## **FISCAL IMPACT**

Quarterly reporting of the City's Investment Portfolio will not result in any direct impact on City resources.

Exhibits:

- Portfolio Holdings as of March 31, 2026
- CERBT Strategy 2 Fund Facts for March 31, 2026
- CERBT Quarterly Statement for March 31, 2026
- PARS Monthly Statement for March 31, 2026