



**BURLINGAME CITY COUNCIL  
Unapproved Minutes  
City Council Study Session on June 16, 2025**

**1. CALL TO ORDER**

A duly noticed meeting of the Burlingame City Council was held on the above date in person and via Zoom at 6:02 p.m.

**2. ROLL CALL**

**MEMBERS PRESENT:** Brownrigg\*, Colson\*\*, Pappajohn, Stevenson, Thayer

**MEMBERS ABSENT:** None

*\* Vice Mayor Brownrigg arrived at the meeting at 6:02 p.m.*

*\*\* Councilmember Colson appeared at the meeting remotely as noticed on the agenda from Shanagarry, Co. Cork, Ireland.*

**3. REQUEST FOR AB 2449 REMOTE PARTICIPATION**

There were no requests.

**4. STUDY SESSION**

**a. STUDY SESSION: DISCUSSION OF INVESTMENT POLICY FOR FISCAL YEAR 2025-26**

Finance Director Yu-Scott stated that the purpose of the Study Session was to provide Council with background regarding the City's Investment Policy and investment portfolio. She explained that in October 2024, former Councilmember Lee voiced concerns about the City's investment portfolio and expressed interest in providing input on the City's Investment Policy.

*Vice Mayor Brownrigg arrived at the meeting at 6:02 p.m.*

PFM Asset Management (the firm) representative Justin Resuello began by discussing the history of PFM Asset Management. He explained that it is a division of U.S. Bancorp Asset Management Inc., with more than 40 years of experience providing public sector investment solutions. He stated that the firm was built

to serve state and local governments, public pensions, higher education, and other post-employment benefit trusts. He added that the firm manages \$174.6 billion in public sector assets for over 729 clients.

Mr. Resuello discussed the firm's work for Burlingame since 2014:

- The portfolio has generated \$20,259,579.90 in earnings
- The portfolio yield at cost has increased by over 200 basis points
- The portfolio has outperformed the benchmark since inception by more than 27 basis points
- Portfolio assets remain safe and diversified

He provided a bar chart that depicted the continued growth in interest since 2014.

Mr. Resuello reviewed the firm's investment approach:

1. Yield-Curve and Duration Positioning
  - Portfolio structured (bullet, barbell, ladder) to rate outlook and specific client needs
  - Adjust target duration versus client benchmarks as market dynamics change
2. Sector/Industry Rotation/Migration
  - Emphasize coupon income by prioritizing exposure to credit sectors
  - Focused on relative value per sector/industry
  - Ensure sector diversification
3. Security Selection
  - Ensure issuer diversification
  - Incorporate rating/headline risk with fundamentals
  - Emphasize primary market issuance
  - Avoid illiquid/esoteric securities
  - Manage portfolio call risk
  - Utilize all tactical trading methods (electronic, direct, multiple dealers, market makers, etc.)

Mr. Resuello explained that the City's portfolio is not in stocks and is instead a fixed income bond portfolio, which is regulated by California State Code.

Mr. Resuello reviewed the firm's checks and balances:

1. Portfolio Trading – daily monitoring of client portfolios versus current strategy and policy limits
2. Investment Services – trading support and settlement, data management, and investment rules
3. Accounting – daily reconciliation with client custodians to ensure data integrity
4. Compliance – independent, active pre- and post- trade compliance monitoring and testing

Vice Mayor Brownrigg asked if he was correct that the firm is using the ICE benchmark for treasuries. He added that this is measured on underlying treasuries that are going to clear quickly and provide liquidity for the fund. Mr. Resuello replied in the affirmative.

Vice Mayor Brownrigg asked if the City should take a portion of resources and not require that they have liquidity within 30 days or measure performance against a benchmark that is liquidity within 30 days. Mr.

Resuello replied that this was a fair observation. He explained that while individuals can invest freely, State legislation has reined in the ability of State agencies and municipalities to do so.

Councilmember Colson asked if she was correct that the 27 basis points is an annualized number. Mr. Resuello replied in the affirmative.

Mr. Resuello reviewed the firm's approach to investing:

- Understanding the client's investment objectives
- Carefully matching maturities to the client's cash flow needs
- Limiting investments to those of high quality
- Selecting investments based on relative value
- Utilizing low-risk portfolio management techniques to add value

Mr. Resuello discussed California Government Code Section 53600 and the California Debt and Investment Advisory Commission's Local Agency Investment Guidelines, which control how municipalities' funds are invested. He explained that the firm takes the nuances of the State code to craft a municipality's investment policy.

Mr. Resuello discussed how the firm reviews the City's Investment Policy with staff:

1. Initially – Examine current policy in relation to:
  - Industry standards and best practices
  - Code requirements
  - Diversification and maturity standards
  - Risk tolerance and preferences
  - Reporting standards and requirements
2. Annually
  - Review and address changes to Code
  - Re-evaluate authorized list of investments
  - Re-evaluate maturity limits and benchmark
  - Discuss strategy implementation
3. Ongoing
  - Monitor and enforce compliance
  - Monitor changes to Code and best practices
  - Provide accurate and timely information

Mr. Resuello reviewed the foundations of a strong investment policy:

1. Policy Components
  - Objectives
  - Standards of prudence
  - Ethics and conflicts
  - Delegation of authority
  - Competitive selection

- Performance and reporting standards
- Safekeeping and custody
- Authorized investments
- Diversification
- Maximum maturity
- Security downgrades

2. Considerations

- Language that meets current industry standards and practices
- Language that conforms to requirements set forth in the applicable statutes
- Considers use of different investment sectors
- Considers maturity limits
- Incorporates diversification and maturity standards
- Includes strong controls

Mayor Stevenson asked if he was correct that the State guidelines under Government Code Section 53600 are just guidelines. Mr. Resuello replied in the affirmative.

Mr. Resuello discussed how risks have diminished in U.S. treasuries. He explained that as a result, the firm moved more of the City's portfolio from federal agency allocations into U.S. treasuries. He added that previously a portion of the City's portfolio was in municipal bonds; however, this is no longer the case. He noted these changes to show how the firm actively manages the City's portfolio.

Mr. Resuello reviewed how credits are chosen and monitored:

1. Idea generation from the trading desk, credit research team, or portfolio managers
2. Issuer viability screening
3. Detailed analysis by credit analyst
4. Issuers approved product list must receive unanimous approval from the Credit Committee
5. Continuous monitoring for changes that may impact stability and subsequent recommendations for modification
6. Checks and balances are enforced via a feedback loop
7. Approved list can be reviewed and edited per the request of any Credit Committee member

Mr. Resuello reviewed the City's portfolio as of May 31, 2025. He noted the issuer diversification including:

- U.S. Treasury
- Federal National Mortgage Association
- State Board of Administration Finance
- Corporate – (Amazon, Apple, Citigroup Inc., Microsoft Corp., Target Corp., and Trust Financial Corp.)

Mr. Resuello explained that many of the issuer's holdings are under 2% in order to ensure that the City's funds are secure and diversified. He noted that a proposal was made to bring this down to 0.8%. He stated that the firm structures the investment policy statement to be in line with California State Code. Therefore,

while the proposal might not have a significant impact to the City's strategy, it might adversely impact the ability of the portfolio to take advantage of new issues.

Mayor Stevenson stated a lot of the holdings were in the corporate financial sector. He asked about the viewpoint from PFM on why that is the preferred distribution. Mr. Resuello replied that financial institutions generally issue the most volume of corporate bonds.

Mr. Resuello reviewed the one to five year strategy of the City's current portfolio:

- Portfolio duration – 2.19 years
- Portfolio gross yield – 4.23%
- Average rating - AA

Mr. Resuello stated that the firm's preference is that the City's Investment Policy be aligned with State Code. He explained that if it was Council's direction to constrain the portfolio (by not allowing holdings over 0.8%), then a fiduciary instruction letter should be used. He noted that the instructions in the letter could include avoidance of certain asset classes or adherence to particular constraints.

Mr. Resuello reviewed the firm's investment philosophy of an active, relative-value-based approach, with an emphasis on investment-grade securities and downside protection. He added that the three fundamental objectives of the investment process are:

- Safety – preserve capital with high-quality investments
- Liquidity – plan for and provide liquidity as needed
- Yield – strategy in line with your return objectives and risk tolerances

Vice Mayor Brownrigg stated that on one of the slides, Mr. Resuello had shown the current gross yields returns and then what the gross yields returns would be under the proposal for keeping holdings under 0.8%. He explained that he had a hard time arguing for taking less risk when the City is already operating on a conservative metric.

Mayor Stevenson asked former Councilmember Lee, whose proposal it was to keep holdings under 0.8%, for her opinion.

Former Councilmember Lee said that her concern was to protect the City against a "Black Swan Event." She explained that a "Black Swan Event" is when one individual causes a corporation to go bankrupt overnight. She gave examples of Enron and Bering Strait. She noted that it is Council's decision to determine what the City's risk tolerance should be, keeping in mind that when a bond defaults, you usually get about 50% back. Former Councilmember Lee stated that the current Investment Policy allows up to 30% in corporate notes and 10% in ABS. She explained that she just wanted it to be codified that it was limited to these numbers.

Mayor Stevenson asked her if she would still recommend capping an issuer's holdings at under 0.8%. Former Councilmember Lee replied in the affirmative. She explained that by doing this and capping the

City's overall holdings in corporate notes, it would help to diversify the City's portfolio and prevent against a "Black Swan Event".

Vice Mayor Brownrigg asked what percentage of holdings the former Councilmember thought the City should hold in corporate notes. Former Councilmember Lee replied that the current policy allows for 30%, but she would recommend 22%.

Councilmember Colson stated that overall, the City's portfolio is incredibly conservative. She explained that her concern would be that pushing the City further into treasuries could lead to volatility.

Councilmember Colson stated that the State allows for 5% in holdings, and the City is at 2%. She explained that she was comfortable with the portfolio the way it is.

Vice Mayor Brownrigg discussed "Black Swan Events" and noted that he isn't adverse to having more names in the corporate allocation. He added that he would want to see the corporate allocation increased to 22%.

Mayor Stevenson stated that he felt comfortable with the Investment Policy but thought the portfolio could be more diverse.

Mayor Stevenson opened the item up for public comment. No one spoke.

Vice Mayor Brownrigg stated that he didn't believe the Council wanted to shift the policy. However, with the turbulence in the economy and in treasuries, he suggested that the Council hold an annual study session on the Investment Policy.

The Council concurred with the Vice Mayor.

## **5. ADJOURNMENT**

Mayor Stevenson adjourned the meeting at 7:03 P.M.

Respectfully submitted,

Meaghan Hassel-Shearer  
City Clerk