



BURLINGAME CITY COUNCIL
Unapproved Minutes
City Council Study Session on May 4, 2026

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 6:15 p.m.

2. ROLL CALL

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

MEMBERS ABSENT: None

3. REPORT OF REMOTE PARTICIPATION

There were none.

4. PUBLIC COMMENTS

There were no public comments.

5. STUDY SESSION

a. PFMAM FINANCIAL ADVISOR ANNUAL UPDATES AND FY 2026-27 INVESTMENT POLICY DISCUSSION

Finance Director Yu-Scott introduced Justin Swallow from PFM Asset Management ("PFMAM") to give an update on the City's investment policy.

Mr. Swallow explained that PFM Asset Management was a standalone organization until it was acquired by U.S. Bank in 2021. He emphasized that despite the acquisition, PFM remains focused on public sector clients, serving government agencies and entities, especially in California. He added that PFM manages approximately \$250 billion in total assets nationally and \$100 billion in California alone. He noted that since 1989, PFM has served about 180 entities.

Mr. Swallow stated that the Council was scheduled to consider adopting the City's updated investment policy at its May 18 meeting. Therefore, before that meeting, he wanted to:

- Review recent changes in State code that affect public investments
- Explain how those changes flow in the City's investment policy

Mr. Swallow stated that California provides a strong set of guidelines and guardrails for local agency investments through State code. He discussed PFM's process for crafting/assessing local investment policies:

- Review of the current policy, comparing it to State code updates and identifying areas for improvement, particularly around investment types and constraints
- Some agencies have particular sensitivities to corporate holdings, asset-backed securities, and mortgage-backed securities

Mr. Swallow discussed recent State law changes:

- SB 858 and SB 595 (commercial paper and sunset dates)
 - While the City is not currently invested in commercial paper, SB 858 extended the allowed commercial paper maturity from 270 days to 397 days, and this is now reflected in the City's investment policy
 - SB 595 extended certain sunset dates for prior investment limits to January 1, 2031, which the policy now captures
- SB 827 and SB 852 (training and transparency)
 - These laws introduce new training and transparency requirements for certain elected officials and staff with investment responsibilities
 - Some agencies have not codified specific training requirements in their policies, relying instead on the general obligation to follow State law
 - Others include a general clause referencing compliance with applicable training statutes but avoid overly specific procedural details

Mayor Brownrigg asked for more information on the required training. City Clerk Hassel-Shearer replied that the City entered into a contract with NetFile to provide the SB 827 fiscal training to all required individuals. She noted that the Council, Commissioners, and key staff are required to take the two-hour fiscal training.

Mayor Brownrigg asked if the training was mainly about insider trading or similar financial misconduct. Mr. Swallow replied that the training is primarily ethics-oriented, though it may contain some financial components. He added that it is generally required every two years.

Mayor Brownrigg asked his colleagues if they felt that the investment policy should include language regarding the training. Mr. Swallow replied that the City might want to consider waiting a year before changing the policy in order to see how implementation and interpretations of the law "shake out".

Councilmember Stevenson asked Mr. Swallow to comment on SB 595 and the extension of certain sunset dates. He stated that his immediate reaction was that it might be accommodating agencies holding investments that do not currently comply but are being given more time. He asked what purpose PFM saw in this extension. Mr. Swallow replied that in his view, the primary purpose is to provide additional flexibility to agencies regarding certain security types and holdings. He added that the extension helps ensure agencies are not forced to sell securities at a loss solely due to a sunset date.

Councilmember Colson asked how the transition was going from PFM after being acquired by U.S. Bank. Mr. Swallow replied that overall, the acquisition had gone well, though, as with any large organizational change, there were some implementation “pain points”. He added that the acquisition improved PFM’s ability to:

- Purchase securities on the primary market
- Leverage a much larger and more sophisticated credit analysis team

Mr. Swallow gave a review of the City’s portfolio performance. He stated that since 2014, the City’s portfolio:

- Generated approximately \$25 million in interest earnings
- Yield at cost increased by more than 3%
- Outperformed its benchmark by 28 basis points

Councilmember Colson stated that the 28 basis point outperformance might seem small numerically but argued that:

- Relative to a 1.74% benchmark, a 0.28% differential is significant when scaled, like comparing 10% versus 12% to 13% equity market return
- When converted into dollars on a large portfolio, the 28 basis points equate to substantial added value for the City

Councilmember Stevenson concurred with Councilmember Colson.

Mayor Brownrigg stated that the returns shown are absolute (nominal) returns, and not inflation adjusted. He added that while he appreciates beating benchmarks, he views the benchmark as a “low bar”. He noted that he often wonders whether the City should take more risk to generate higher returns, given long-term fiscal pressures.

Councilmember Colson emphasized that the City’s portfolio is heavily constrained by State law in terms of duration, maturity, and credit quality. The City cannot invest in higher-risk asset classes like equities or real estate in this portfolio. She added that the portfolio is designed to be very low risk, low volatility, and high credit quality, within a short-to-intermediate duration band.

Councilmember Colson stated that the primary concern is to avoid losses of capital, including relatively modest 5% to 10% losses, which might be acceptable in a long-term pension or equity portfolio but not for

this short-term, liquidity-oriented municipal portfolio. She added that the right way to view it is the City has gained \$25 million by actively managing the portfolio within legal constraints.

Finance Director Yu-Scott stated that the City's investment policy is grounded in State law, where safety and liquidity are the first two priorities, with return as the third. She explained that the City's overall portfolio is split roughly in half:

- Securities portfolio
- Local Agency Investment Fund ("LAIF") and California Asset Management Program ("CAMP")

She added that if the Council wished to seek higher returns through the managed portfolio, the City could consider shifting funds from LAIF/CAMP. She recognized that LAIF and CAMP currently yield lower returns.

Councilmember Colson stated that the portfolios are not fully insulated from loss and that there can be negative periods due to interest rate movements, even if the principal is preserved to maturity and long-term performance remains positive.

Councilmember Thayer asked about sector allocation changes over the past year. Mr. Swallow replied that while he did not have the exact numbers from last year in front of him, he believed the sector allocations were generally similar. He added that most California agency portfolios, including Burlingame's, are dominated by U.S. Treasuries, with additional yield coming from corporates, agencies, and asset-backed securities, as permitted by State law.

Mayor Brownrigg stated that last year, the Council considered whether to reduce or eliminate corporate holdings but ultimately chose to retain them.

Finance Director Yu-Scott stated that when the Council discussed potentially adjusting sector weights (such as corporates), the Council ultimately expressed support for maintaining the current structure. She explained that:

- The City cannot invest in equities or anything outside of State code
- Within that framework, she believes the portfolio is doing well
- She has no additional specific changes to request at this time beyond continuing close review with PFM and reporting any suggested changes back to Council

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

Councilmember Colson noted that part of the portfolio's positive attribution relative to the benchmark comes from the use of corporate bonds, which add incremental yield. She reiterated that if the City had eliminated corporates, the portfolio's returns would likely be closer to the benchmark, reducing the opportunity for value added. She also praised PFM's structure, in which a large research analyst team supports the portfolio managers, allowing the managers to focus on client engagement while still benefiting from strong research.

Mayor Brownrigg thanked staff for the presentation.

6. ADJOURNMENT

Mayor Brownrigg adjourned the study session at 6:50 p.m.

Respectfully submitted,

Meaghan Hassel-Shearer
City Clerk