



STAFF REPORT

AGENDA NO: 9k

MEETING DATE: October 6, 2025

To: Honorable Mayor and City Council

Date: October 6, 2025

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

Subject: Approval of Quarterly Investment Report, Period Ending June 30, 2025

RECOMMENDATION

Staff recommends that the City Council receive and approve the City's investment report through June 30, 2025.

BACKGROUND

This report represents the City's investment portfolio as of June 30, 2025. 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 approves annually. The City Council last approved the Policy for fiscal year 2024-25 on June 3, 2024. 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 from 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.

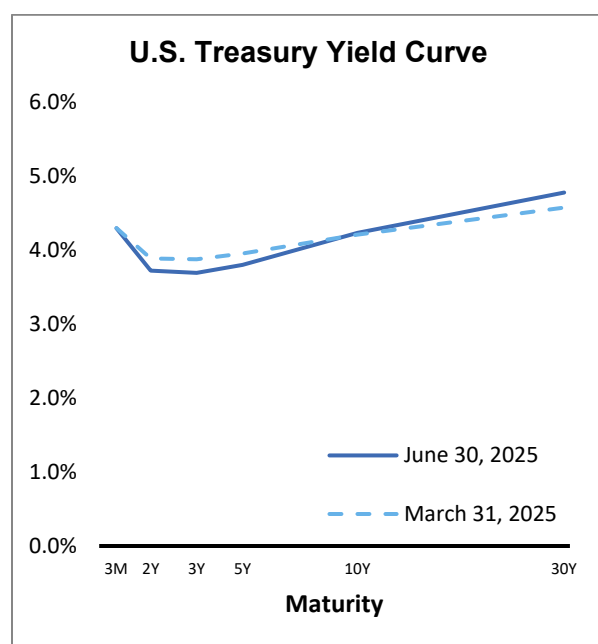
CURRENT MARKET CONDITIONS

In the second calendar quarter, U.S. economic conditions were characterized by: (1) headline employment data that belied underlying weakening; (2) inflation that remained rangebound but did not yet reflect the full impact of tariffs; and (3) fiscal policy uncertainty and volatile tariff rollouts that weighed on consumer sentiment.

At the meeting held on June 18, the Federal Reserve (Fed) had the target range for the overnight rate unchanged at 4.25% to 4.50%. During the press conference, Fed Chair Jerome Powell noted that the effect, size, and duration of tariffs are all highly uncertain, which warrants the Fed remaining on hold as it continues to observe the data.

The Fed's "dot plot" continued to show a median expectation of 50 basis points (bps) of rate cuts over the remainder of the year, while its Summary of Economic Projections showed a weaker outlook for both gross domestic product (GDP) and PCE inflation. The final read of the first quarter GDP showed consumers spending at their slowest pace since the first quarter of 2022. Future spending will remain a key area of focus for economic resilience.

Yields on 3-month, 2-year, and 10-year U.S. Treasuries ended June at 4.29%, 3.72%, and 4.23%. Fixed income indices produced positive returns for the month due to lower yields across the curve.



Yield Curve History			
Maturity	6/30/2025	3/31/2025	Change
3 Mo.	4.29%	4.29%	0.00%
6 Mo.	4.25%	4.22%	0.02%
1 Yr.	3.97%	4.02%	-0.05%
2 Yr.	3.72%	3.88%	-0.16%
3 Yr.	3.69%	3.87%	-0.19%
5 Yr.	3.80%	3.95%	-0.15%
10 Yr.	4.23%	4.21%	0.02%
30 Yr.	4.77%	4.57%	0.20%

The City's cash, excluding bond proceeds, is pooled for investment purposes. As of June 30, 2025, invested funds totaled \$274,054,243. 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 June 30, 2025	
Main Investment Portfolio	\$132,045,320.06
Main Investment Portfolio - Cash Balance in Custody Account	\$289,999.68
CAMP Balance	\$108,115,618.48
LAIF Balance	\$33,603,304.96
Total	\$274,054,243.18

At the end of the quarter, the main portfolio's duration was 2.34 years – shorter than the benchmark's duration of 2.48 years. Factoring in liquid investments, such as LAIF and CAMP, the effective duration of the City's aggregate investments was 1.13 years.

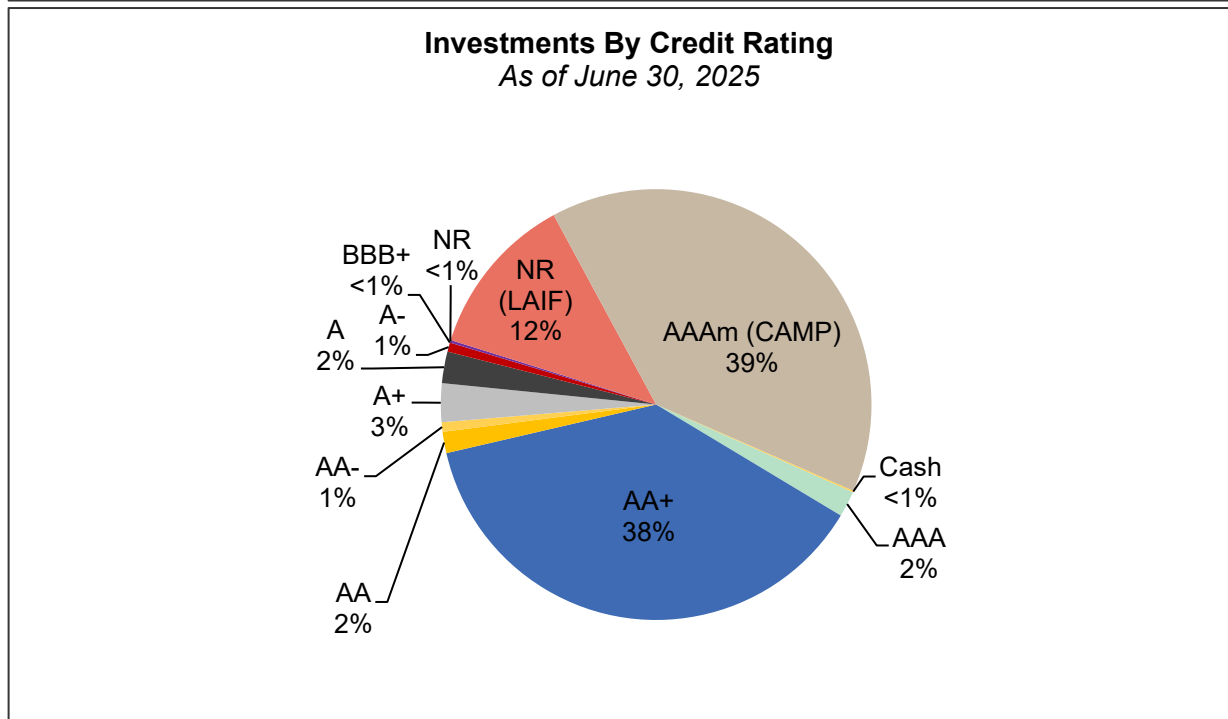
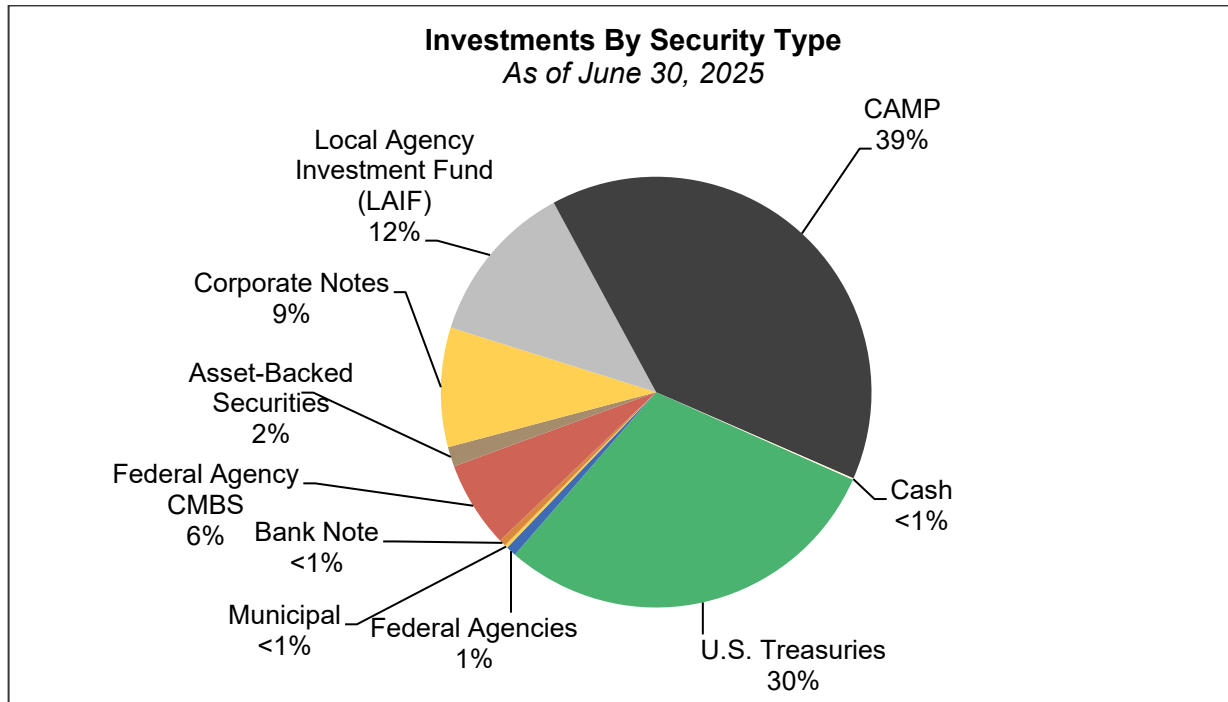
The City continues to benefit from a strategy of broad diversification, which serves to reduce overall risk in the portfolio while providing opportunities for better returns over the long term. Additionally, active portfolio management seeks to add value by identifying well-priced securities across various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

Please see a summary of transactions for the quarter ending June 30, 2025, below and on the following page:

Trade Date	Settlement Date	Transaction	CUSIP	Issuer	Term (Mths)	Yield	Principal
4/1/2025	4/2/2025	BUY	06051GMK2	Bank of America Corp	46	4.65%	895,000
4/1/2025	4/2/2025	SELL	91282CAM3	U.S. Treasury Notes	6	4.20%	1,235,000
4/1/2025	4/10/2025	BUY	3137HKQC1	Federal Home Loan Mortgage Corp	58	4.32%	1,195,000
5/15/2025	5/16/2025	SELL	3137EAEX3	Federal Home Loan Mortgage Corp	4	4.40%	3,400,000
5/15/2025	5/16/2025	SELL	3137EAEX3	Federal Home Loan Mortgage Corp	4	4.40%	640,000
5/15/2025	5/16/2025	BUY	91282CMZ1	U.S. Treasury Notes	60	4.10%	4,400,000
5/21/2025	5/22/2025	BUY	38151LAG5	Goldman Sachs Group Inc	24	5.08%	1,225,000
6/2/2025	6/3/2025	SELL	91282CAT8	U.S. Treasury Notes	5	4.33%	2,550,000
6/2/2025	6/3/2025	BUY	91282CHF1	U.S. Treasury Notes	61	4.03%	2,575,000
6/20/2025	6/23/2025	SELL	3135G06G3	Fannie Mae Notes	5	4.39%	675,000
6/20/2025	6/23/2025	BUY	61690DK72	Morgan Stanley	43	4.65%	965,000

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.

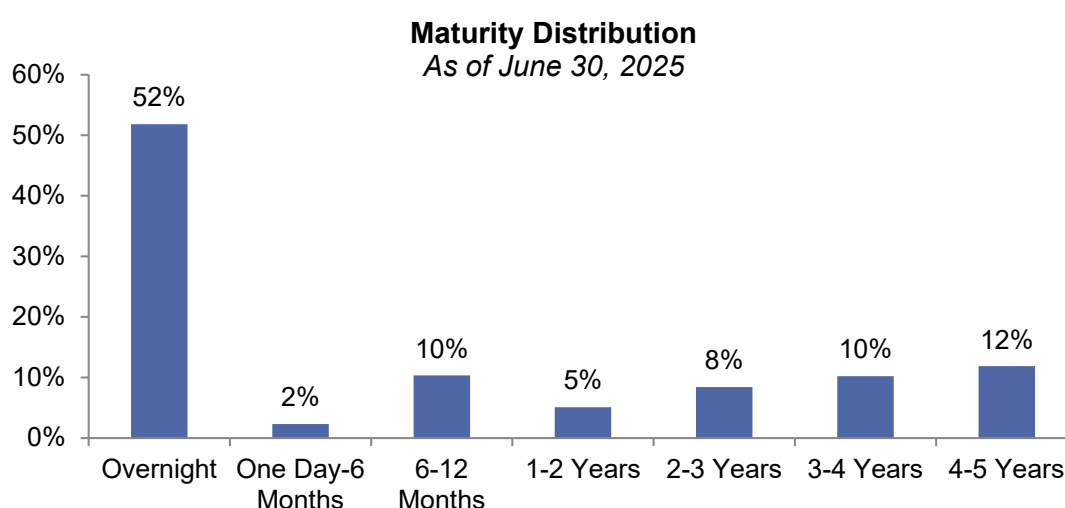
As noted in the following pie charts, the City's aggregate investment portfolio, as of June 30, 2025, was heavily weighted towards the California Asset Management Program (CAMP) and high-quality (AA+ rated) federal agency and U.S. Treasury securities to maintain the focus on safety and liquidity.



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 June 30, 2025, 52% of the City’s funds were invested in very short-term liquid investments; 18% of the funds were invested with maturity between one day and two years; and 30% 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 1.13 years and currently generate an annual income of 4.01% 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 June 30, 2025, the yield to maturity at cost on the main portfolio of securities was 3.60%. Including additional investments such as LAIF and CAMP, the average yield to maturity** on the City’s aggregate investments was 4.01%. During the quarter, the main portfolio generated accrual basis earnings of \$1,004,456.

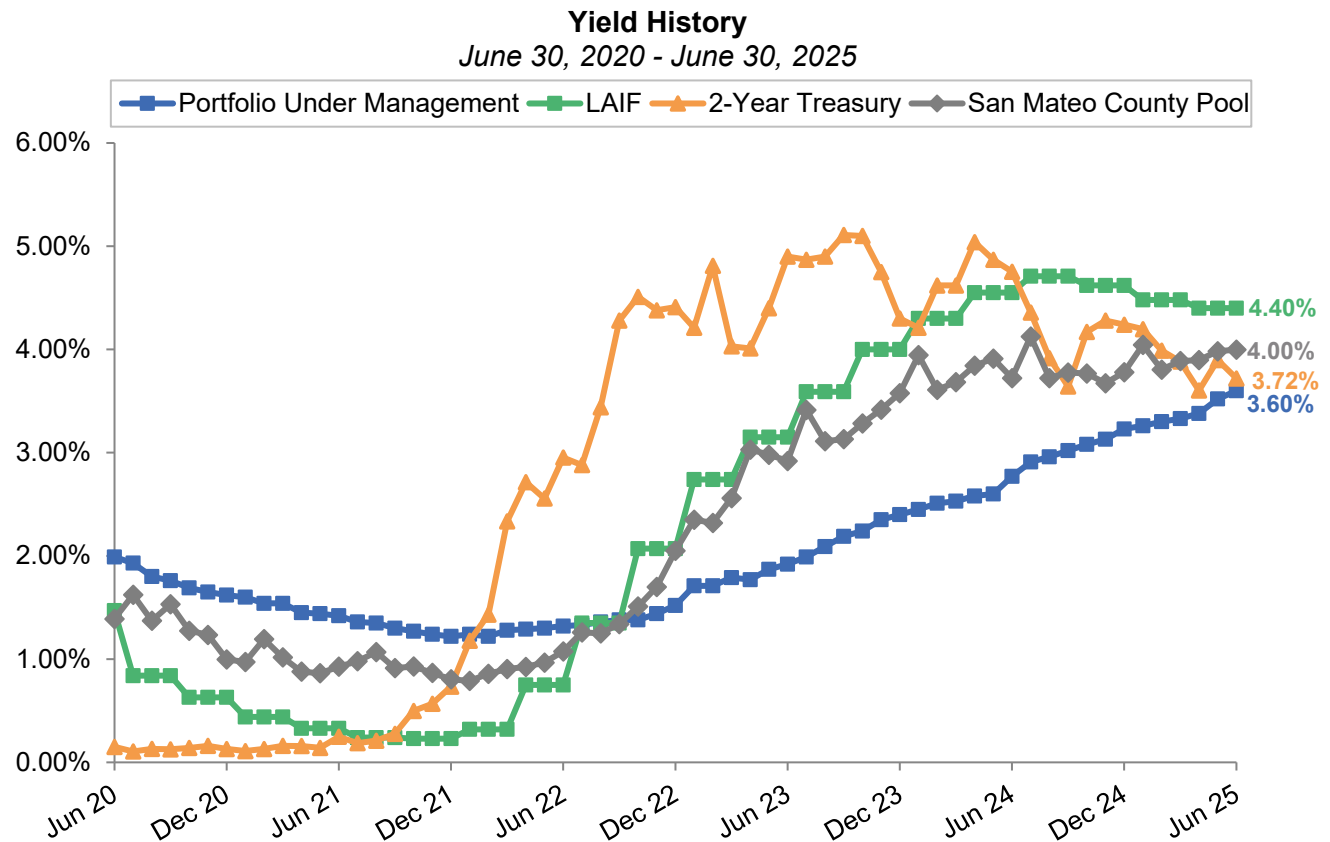
City's Investments Statistical Information	
Market Value	\$274,054,243
Effective Duration	1.13 Years
Average Credit Quality*	AA+
Yield to Maturity**	4.01%

*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 6/30/25, the LAIF quarterly apportionment rate for the quarter ended 6/30/25, and CAMP’s monthly distribution yield as of 6/30/25.

The chart on the following page 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 June 30, 2025, the

gross yield at cost on the City's managed portfolio was 3.60%; net of PFMAM's investment advisory fees, the yield at cost on the City's managed portfolio was 3.52%.



Below is a summary of cash and investment holdings held by each fund as of June 30, 2025, 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 06/30/2025	As of 03/31/2025	Change \$
General Fund	\$ 32,649,430	\$ 30,346,720	\$ 2,302,710
Capital Project Funds	63,794,171	64,920,258	(1,126,087)
Internal Service Funds	34,335,253	32,057,933	2,277,320
Water Fund	20,215,581	19,936,420	279,161
Sewer Fund	33,112,161	31,946,441	1,165,720
Solid Waste Fund	3,739,090	3,369,192	369,899
Parking Fund	13,231,316	12,679,200	552,116
Building Fund	28,858,222	28,332,451	525,771
Landfill Fund	4,982,296	4,688,036	294,260
Debt Service Fund	592,084	4,402,009	(3,809,926)
Subtotal, Operating Funds	235,509,604	232,678,660	2,830,944
Other Funds	50,639,078	39,910,633	10,728,446
Total Cash and Investments	\$ 286,148,682	\$ 272,589,293	\$ 13,559,389

Cash holdings in the General Fund increased by over \$2.3 million in the quarter. This is mainly due to the receipt of \$11.2 million in property tax revenues, nearly \$7.0 million in sales tax and Measure I revenue, and about \$9.0 million in TOT revenue. The receipts were primarily offset by regular operating expenses, the quarterly payments to Central County Fire (\$3.6 million), and transfers to the capital project fund to fund the new City Hall project (\$1.0 million).

The approximately \$1.1 million net decrease in Capital Project Funds reflects several factors including an over \$1.0 million transfer from the General Fund, a \$0.5 million transfer of bonds' proceeds from the Debt Services Fund, a \$1.0 million receipt from federal grant reimbursement, and a nearly \$1.2 million project reimbursement. There was a decrease of \$4.2 million for large construction progress payments in the quarter, most notably \$124,000 for the Laguna Playgrounds project, \$257,000 for the Cuernavaca Field Renovation project, \$2.4 million for the Town Square project, \$260,000 for the Fire Station 34 Improvement project, \$272,000 for the Fire Station 36 Rehabilitation project, \$201,000 for the new City Hall project, \$188,000 for the Caltrain Grade Separation project, \$294,000 for the annual Sidewalk & ADA Improvement project, and \$224,000 for the Vision Zero Action Plan.

The Internal Services Funds' cash holdings increased by nearly \$2.3 million in the quarter, mainly due to ongoing quarterly contributions from all funds, with no anticipated expenses incurred. The Sewer Fund increased by nearly \$1.2 million, which reflects regular cash flow with no large payments for capital projects.

The Debt Service Fund's holdings decreased by \$3.8 million from the prior quarter. This is mainly due to a \$0.5 million drawdown from the bonds' proceeds, as mentioned above, and nearly \$4.3 million for principal and interest payments on governmental bonded debt that became due in the quarter.

Other major receipts included \$1.2 million in Storm Drain Fees, \$625,000 in Gas Tax, \$525,000 in Measure A and Measure W receipts (a combined total), \$0.9 million of Investment Income allocation, and nearly \$7.3 million in Commercial Housing Linkage Fee, all of which were reflected as an increase 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 June 30, 2025, was 5.34%; the balance in the City's CERBT account was about \$34.8 million. The attached June 2025 statement for the PARS §115 Trust account for funding the City's pension liabilities, established in October 2017, shows a rate of return of 5.77% for the quarter, with a balance of \$26.6 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 of 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 June 30, 2025
- CERBT Strategy 2 Fund Facts for June 30, 2025
- CERBT Quarterly Statement for June 30, 2025
- PARS Monthly Statement for June 30, 2025