



STAFF REPORT

AGENDA NO: 9h

MEETING DATE: November 17, 2025

To: Honorable Mayor and City Council

Date: November 17, 2025

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

Subject: Quarterly Investment Report, Period Ending September 30, 2025

RECOMMENDATION

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

BACKGROUND

This report represents the City's investment portfolio as of September 30, 2025. The report includes all invested City funds except 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 on June 16, 2025. The Policy directs that investment objectives, in order of 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 PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc. (PFMAM), the City's investment advisor. Also, it 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

The third quarter of 2025 saw a gradual easing of uncertainty as markets digested the lingering effects of a complex tariff rollout. While the effective tariff rate remains elevated, the avoidance of worst-case trade outcomes helped stabilize investor sentiment. Equity and bond markets rebounded, supported by steady consumer spending and business investment.

In September, the Fed delivered its first rate cut of 2025, lowering the federal funds target range to 4.00%-4.25%. Fed Chair Jerome Powell described it as a "risk management cut" reflecting growing

concerns over the labor market. The median forecast from the Fed's September "dot plot" signaled an additional 50 basis points (bps) of rate cuts this year, 25 bps more than its June projections.

Rising goods prices and sticky service costs continued to keep core inflation well above the Federal Reserve's (Fed) 2% target. Certain import-reliant goods showed signs of modest tariff pass-throughs.

Yields on 3-month, 2-year, and 10-year U.S. Treasuries ended September at 3.94%, 3.61%, and 4.15%, respectively. As a result of lower yields over the quarter, bond indexes generated positive total returns for the quarter.



Yield Curve History			
Maturity	9/30/2025	6/30/2025	Change
3 Mo.	3.94%	4.29%	-0.35%
6 Mo.	3.84%	4.25%	-0.41%
1 Yr.	3.62%	3.97%	-0.34%
2 Yr.	3.61%	3.72%	-0.11%
3 Yr.	3.62%	3.69%	-0.07%
5 Yr.	3.74%	3.80%	-0.06%
10 Yr.	4.15%	4.23%	-0.08%
30 Yr.	4.73%	4.77%	-0.04%

The City's cash, excluding bond proceeds, is pooled for investment purposes. As of September 30, 2025, the total invested funds were \$266,836,412. 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 September 30, 2025	
Main Investment Portfolio	\$133,349,366.84
Main Investment Portfolio - Cash Balance in Custody Account	\$577,456.19
CAMP Balance	\$58,954,314.03
LAIF Balance	\$73,955,275.41
Total	\$266,836,412.47

At the end of the quarter, the main portfolio's duration was 2.38 years – the same as the benchmark's duration of 2.38 years. Factoring in liquid investments, such as LAIF and CAMP, the effective duration of the City's aggregate investments was 1.69 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.

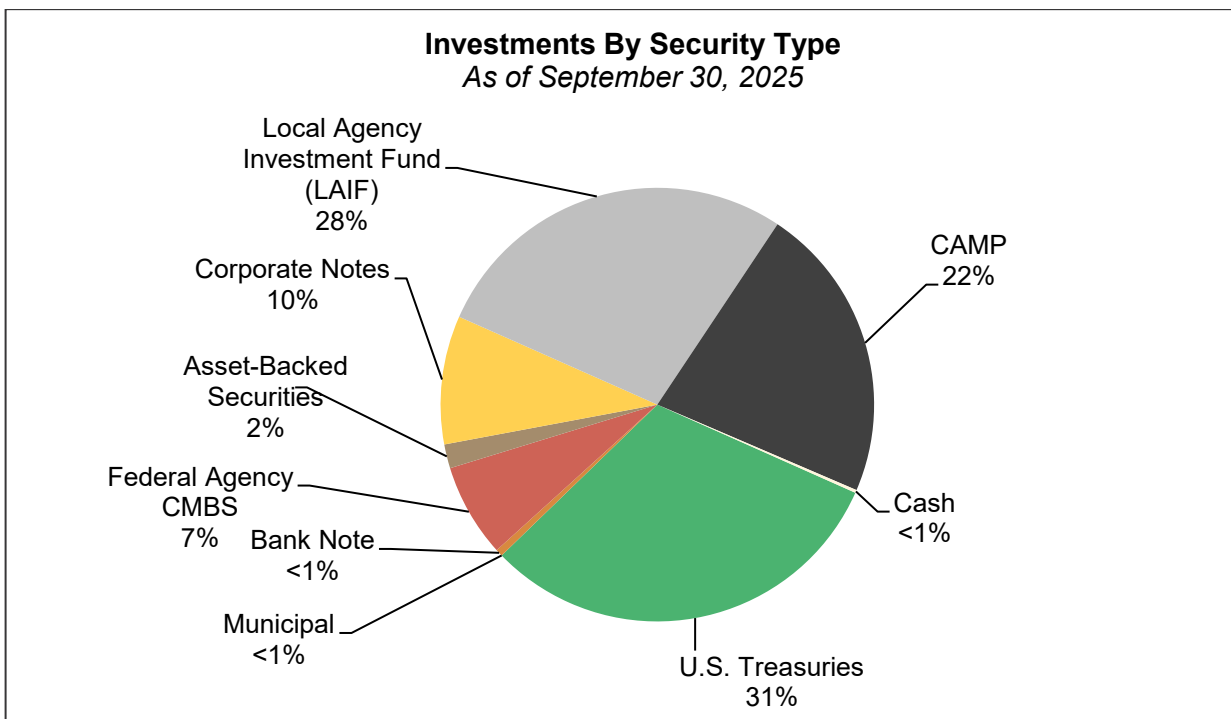
Please see a summary of transactions for the quarter ending September 30, 2025, below and on the following page:

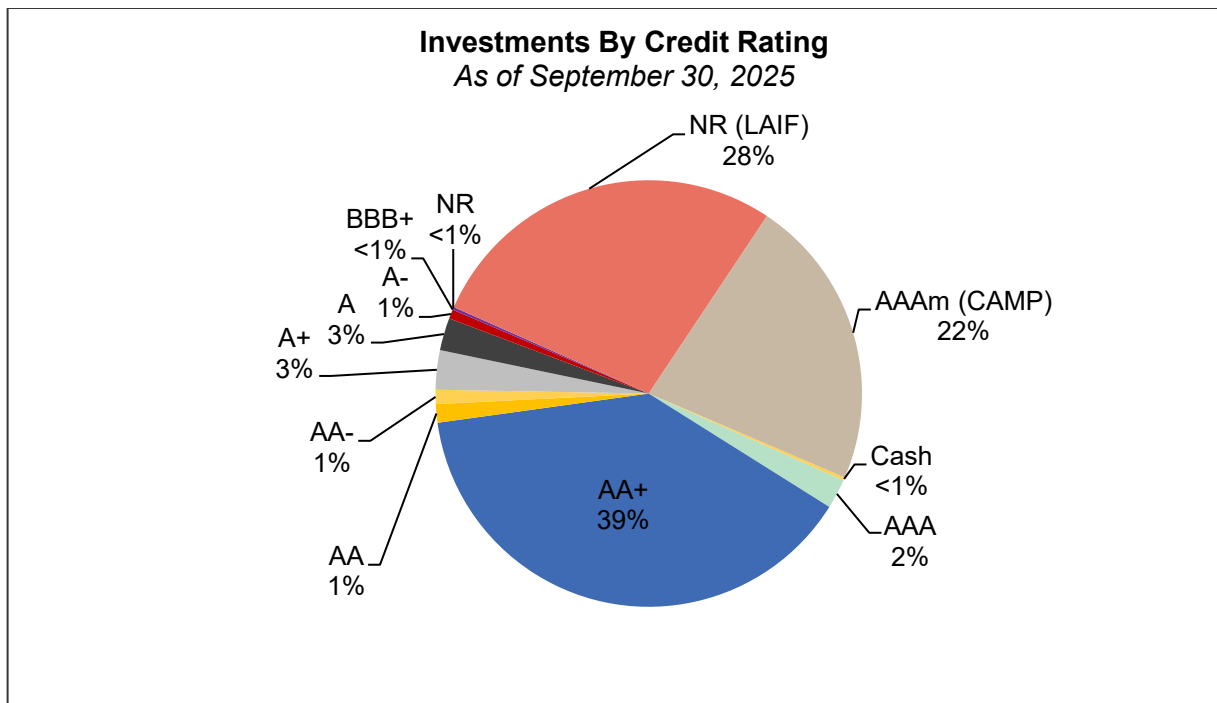
Trade Date	Settlement Date	Transaction	CUSIP	Issuer	Term (Mths)	Coupon	Principal
7/1/2025	7/2/2025	BUY	09247XAQ4	BLACKROCK INC (CALLABLE)	59	2.40%	970,000.00
7/18/2025	7/25/2025	BUY	161571HZ0	CHAIT 2025-A1 A	61	4.16%	1,035,000.00
8/25/2025	8/25/2025	BUY	91282CNN7	US TREASURY N/B	60	3.87%	1,050,000.00
9/2/2025	9/3/2025	BUY	91282CNX5	US TREASURY N/B	61	3.62%	2,225,000.00
9/4/2025	9/5/2025	BUY	91282CNU1	US TREASURY N/B	36	3.62%	1,450,000.00
9/4/2025	9/5/2025	BUY	91282CNX5	US TREASURY N/B	61	3.62%	2,000,000.00
9/9/2025	9/18/2025	BUY	3137HN4R6	FHMS K546 A2	56	4.36%	845,000.00
7/18/2025	7/22/2025	SELL	91282CAZ4	US TREASURY N/B	4	0.37%	750,000.00
9/2/2025	9/3/2025	SELL	3135G06G3	FANNIE MAE	2	0.50%	455,000.00
9/2/2025	9/3/2025	SELL	3135G06G3	FANNIE MAE	2	0.50%	1,150,000.00
9/2/2025	9/3/2025	SELL	91282CAM3	US TREASURY N/B	1	0.25%	525,000.00

Trade Date	Settlement Date	Transaction	CUSIP	Issuer	Term (Mths)	Coupon	Principal
9/4/2025	9/5/2025	SELL	91282CBC4	US TREASURY N/B	4	0.37%	575,000.00
9/4/2025	9/5/2025	SELL	91282CBC4	US TREASURY N/B	4	0.37%	1,600,000.00
9/4/2025	9/5/2025	SELL	91282CAZ4	US TREASURY N/B	3	0.37%	1,310,000.00
9/9/2025	9/10/2025	SELL	91282CBH3	US TREASURY N/B	5	0.37%	900,000.00

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 September 30, 2025, was heavily weighted towards the Local Agency Investment Fund (LAIF) and high-quality (AA+ rated) federal agency and U.S. Treasury securities, maintaining a focus on safety and liquidity.

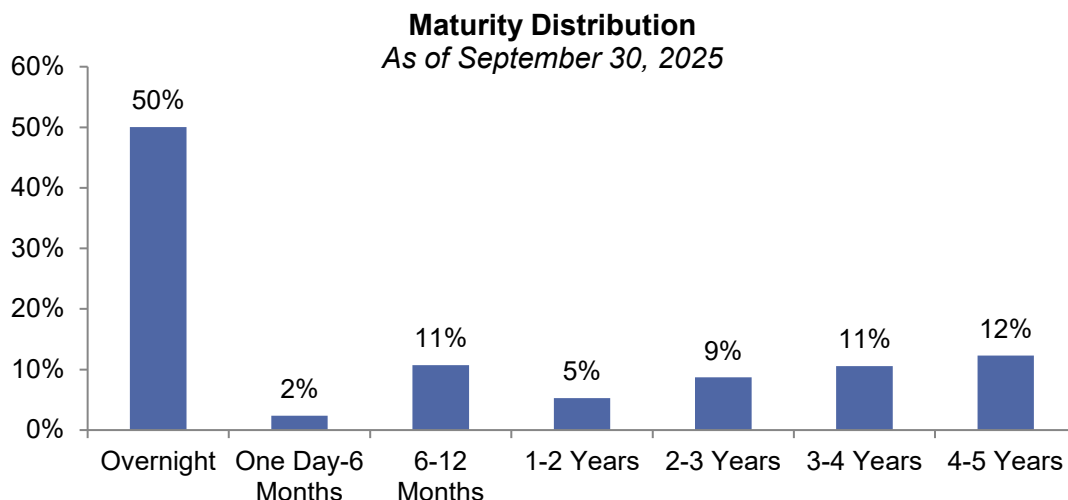




The "BBB+" category comprises securities that are rated in the category of A or better by at least one NRSRO (Nationally Recognized Statistical Ratings Organization), which meets the credit rating criteria established in the City's Statement of Investment Policy.

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 September 30, 2025, 50% of the City's funds were invested in very short-term liquid investments; 18% of the funds were invested with a maturity between one day and two years; and 32% of the investment portfolio had a maturity ranging from two to five years. This distribution provides the City with the necessary liquidity to meet its 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 1.69 years and currently generate an annual income of 4.06% 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.



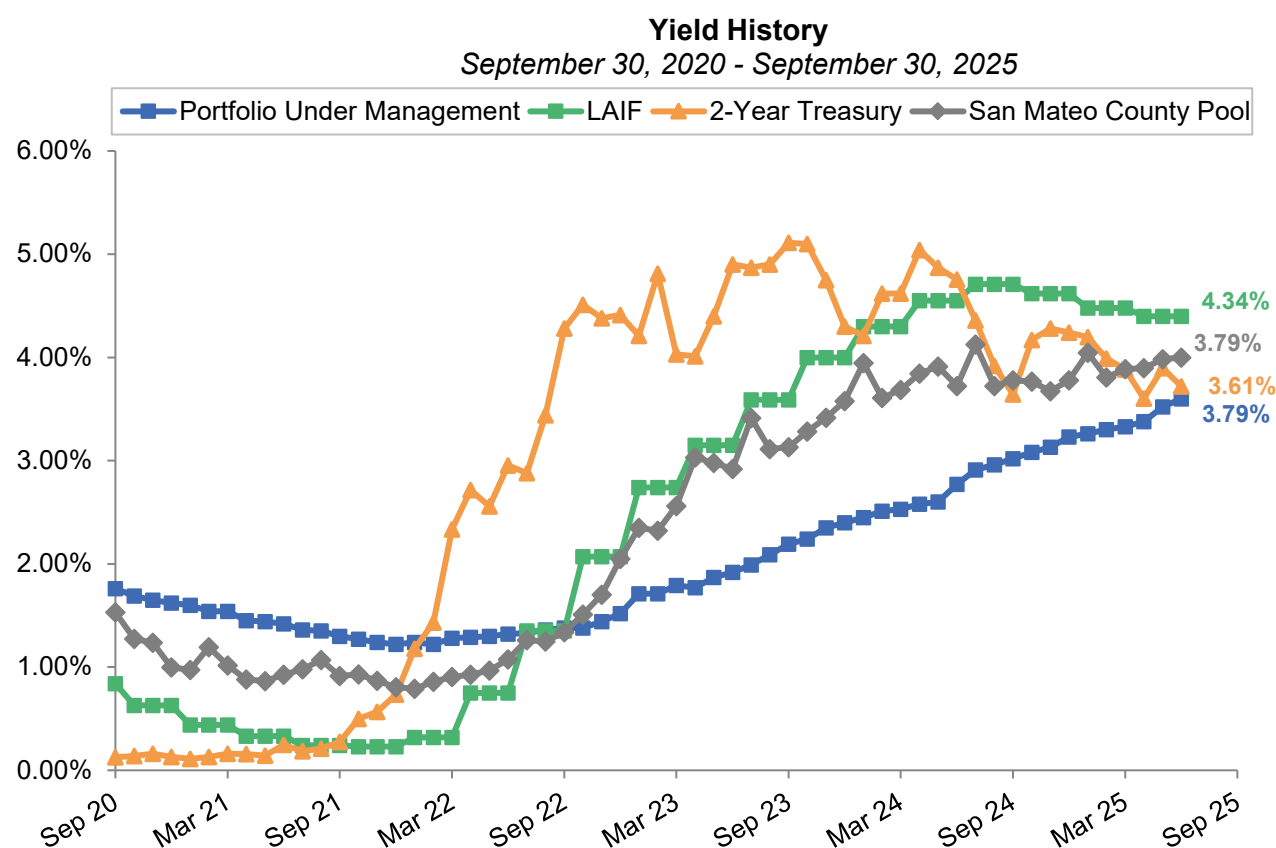
As of September 30, 2025, the yield to maturity at cost on the main portfolio of securities was 3.79%. Including additional investments such as LAIF and CAMP, the average yield to maturity** on the City's aggregate investments was 4.06%. During the quarter, the main portfolio generated accrual basis earnings of \$1,140,573.

City's Investments Statistical Information	
Market Value	\$266,836,412
Effective Duration	1.69 Years
Average Credit Quality*	AA+
Yield to Maturity**	4.06%

*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 9/30/25, the LAIF quarterly apportionment rate for the quarter ended 9/30/25, and CAMP's monthly distribution yield as of 9/30/25.

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 September 30, 2025, the gross yield at cost on the City's managed portfolio was 3.79%; net of PFMAM's investment advisory fees, the yield at cost was 3.71%.



Below is a summary of cash and investment holdings held by each fund as of September 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 09/30/2025	As of 06/30/2025	Change \$
General Fund	\$ 25,126,078	\$ 32,650,535	\$ (7,524,457)
Capital Project Funds	60,446,248	63,794,171	(3,347,923)
Internal Service Funds	32,733,873	34,335,253	(1,601,379)
Water Fund	20,493,097	20,215,581	277,517
Sewer Fund	34,361,575	33,112,161	1,249,414
Solid Waste Fund	3,632,855	3,739,090	(106,235)
Parking Fund	13,415,585	13,231,316	184,270
Building Fund	28,727,841	28,858,222	(130,381)
Landfill Fund	5,061,279	4,982,296	78,983
Debt Service Fund	129,480	592,084	(462,604)
Subtotal, Operating Funds	224,127,913	235,510,709	(11,382,796)
Other Funds	54,152,009	50,639,078	3,512,931
Total Cash and Investments	\$ 278,279,922	\$ 286,149,787	\$ (7,869,865)

A decrease in cash holdings in the General Fund is typical for the first quarter of the fiscal year. The reduced balance reflects the \$10.7 million lump-sum payment to CalPERS for the unfunded accrued liability (UAL) for pensions for the 2025-26 fiscal year, which included the City's share of the Central County Fire Department UAL contribution of over \$2.7 million. Coupled with improved property tax, Business License tax, Transient Occupancy tax, and charges for services receipts, net cash holdings in the General Fund decreased by about \$7.5 million.

An approximately \$3.3 million decrease in Capital Project Funds reflects a few factors, most notably \$1.2 million for the 2025 Annual Street Resurfacing project, \$612,000 for the Town Square project, \$194,000 for the New City Hall project, \$521,000 for the Public Works Corporation Yard Roof Replacement project, over \$162,000 for the North Rollins Road Bike & Pedestrian project, and nearly \$187,000 for the Library, Highland Garage, and Corporation Yard Solar project.

The Internal Services Funds' cash holdings decreased by about \$1.6 million in the quarter, mainly due to ongoing quarterly contributions from all funds, offset by the City's annual insurance premium payment of nearly \$2.8 million in July 2025. The Sewer Fund increased by approximately \$1.2 million, reflecting regular cash flow with no large capital project payments.

Other major receipts included the receipt of Gas Tax and SB1 revenue of \$226,000 and Measure A and Measure W receipts (combined total of \$301,000), all reflected as an increase in "Other Funds." A total collection of nearly \$2.7 million in Impact Fees is another primary contributor to the increase in the Other Funds category.

As for the performance of the City's trust funds, which employ different strategies than those outlined 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's 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 September 30, 2025, was 4.88%; the balance in the City's CERBT account was about \$36.5 million. The attached September 2025 statement for the PARS §115 Trust account, established in October 2017 to fund the City's pension liabilities, shows a rate of return of 4.8% for the quarter, with a balance of \$27.9 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, which balances the investment portfolio between short-term investments (to meet cash flow needs) and longer-term maturities (to achieve 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 mitigation of risk and the ability to meet the City's investment goals, while also responding 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 September 30, 2025
- CERBT Strategy 2 Fund Facts for September 30, 2025
- CERBT Quarterly Statement for September 30, 2025
- PARS Monthly Statement for September 30, 2025