

March 18, 2025

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Recommendation to receive and file the Investment Report for Quarter ending December 31, 2024. (Citywide)

DISCUSSION

The City of Long Beach (City) Treasurer's Office in the Financial Management Department invests City funds in compliance with the California Government Code, Section 53600 et. seq., and the City's Investment Policy. As of December 31, 2024, these funds had a book value of approximately \$2.360 billion.

Statutory Compliance

All investment transactions have been executed in conformance with the City's Investment Policy and the California Government Code. The Investment Advisory Committee, composed of the Assistant City Auditor, Principal Deputy City Attorney, City Treasurer, City Controller, and designated representatives from the Harbor and Utilities Departments, meets quarterly, or as needed, to review investment policies, strategies, and performance. All portfolio transactions as of December 31, 2024, can be found in the Investment Trading Activity, included in Attachment A.

Investment Strategies

The Treasury's investment strategy for the investment pool is to maintain and preserve the safety of funds, provide adequate liquidity for anticipated operating disbursements, and to maximize the return on investments through the prudent implementation of the investment policy. The cash flow needs of the City are monitored daily to ensure appropriate liquidity is maintained, with maturities through five years. The Treasury's general investment strategy is to buy high-quality fixed-income investments and hold to maturity. The City's benchmark is the ICE Bank of America Merrill Lynch (BAML) Zero-to-Five Year US Treasury Index.

Investment Position and Performance

The following table summarizes the City's investment pool position and performance for the quarter ending December 31, 2024:

INVESTMENT VALUE AND PERFORMANCE As of December 31, 2024						
Portfolio	Book Value ¹	Market Value ¹	Unrealized Gain/(Loss) ²	Portfolio Yield ³	Benchmark	Years to Maturity
Investments	\$2,353,781,859	\$2,335,817,149	(\$17,964,710)	3.69%	4.38%	2.28
Cash and Money Market Fund	\$5,498,828	\$5,498,828				
Total Cash and Investments			\$2,359,280,687	\$2,341,315,977	QUARTERLY INTEREST EARNINGS ⁴ As of December 31, 2024	
			Total Interest Earnings		\$18,448,228	

- 1) Book value is the initial value/outlay for an investment at the time of purchase (as much as five years ago) and still held in the portfolios, while market value represents the value at a point in time based on current market conditions.
- 2) Unrealized Gain/(Loss) is the difference between book and market value. It is inversely related to the change in interest rates. As interest rates rise or fall, the value of fixed-income assets moves in the opposite direction. Typically, investments are held to maturity, and therefore, gains/losses are rarely realized.
- 3) The portfolio yield is a return measure for an investment over a set period of time, expressed as a percentage. The portfolio yield is shown before asset management fees.
- 4) Interest Earnings is the amount of interest earned from investments over a 3-month period, net of investment-related expenses.

The quarter ending December 31, 2024, experienced an increase in market interest rates, which caused the book-value-to-investment value adjustment to become negative. This resulted in an unrealized loss of approximately \$17.9 million, compared to the prior quarter's unrealized gain of approximately \$4.5 million. Generally, there will be minimal actual realized loss/gain since most securities are held to maturity. For the three months ending December 31, 2024, the quarterly portfolio yield was 3.69 percent, which was 69 basis points (0.69 percent) below the benchmark.

Another view of investment performance considers actual interest earnings, irrespective of changes in the market value of the portfolio that are unlikely to be realized. As shown in the bottom-right portion of the table above, interest earnings totaled \$18.4 million for the quarter ending December 31, 2024, which was \$283.1 thousand lower than the previous quarter.

Investment portfolio holdings as of December 31, 2024, are included in Attachment B.

This matter was reviewed by Deputy City Attorney Ashleigh Stone on February 18, 2025, and Revenue Management Officer Geraldine Alejo on February 26, 2025.

TIMING CONSIDERATIONS

City Council action on this item is not time critical.

FISCAL IMPACT

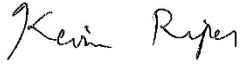
There is no fiscal or local job impact associated with this recommendation. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Kevin Riper
Director
Financial Management

APPROVED:



THOMAS B. MODICA
CITY MANAGER

ATTACHMENTS: A: CITY OF LONG BEACH INVESTMENT TRADING ACTIVITY
B: CITY OF LONG BEACH INVESTMENT PORTFOLIO HOLDINGS