



# CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable City Council **Item No.** \_\_\_\_\_

**FROM:** City Manager

**SUBJECT:** Quarterly Investment Report – Quarter Ending March 31, 2026

**MEETING DATE:** April 28, 2026

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## RECOMMENDATION:

Staff recommends that the City Council receive and file the Quarterly Investment Report for the quarter ending March 31, 2026.

## BACKGROUND:

The quarterly investment report is submitted in accordance with Government Code §53646 and Section XII of the City of Commerce Investment Policy Statement. The report provides a comprehensive overview of the City's investment portfolio as of March 31, 2026, including the types of investments, performance metrics, and compliance with the established investment policy.

## DISCUSSION:

As of March 31, 2026, the City's total investment portfolio value is \$146,427,220, consisting of securities investments, cash holdings, and Local Agency Investment Fund ("LAIF") as detailed below:

<b>Component</b>	<b>Amount</b>
Securities	\$60,804,414
Cash	54,585,522
LAIF	31,037,284
<b>Total Portfolio Value</b>	<b>\$146,427,220</b>

## Securities Performance Metrics

Weighted Average Maturity	2.51 years
Weighted Average Yield	3.86%
<b>Interest Income Generated Through 3/31/26</b>	<b>\$1,943,105</b>

The City's investment portfolio achieved a weighted average yield of 3.86% with a weighted maturity of 2.51 years. Based on current holdings and yield-to-maturity performance, the City's portfolio is projected to generate approximately \$2.3 million by the end of the fiscal year.

## Type of Investments

The portfolio's structure reflects current interest rate environment and incorporates a measured maturity ladder to balance interest generated with liquidity and market risk considerations. The City's investment portfolio is diversified across multiple asset classes in accordance with the Investment Policy Statement. The following table details the allocation by investment type:

<b>Investment Type</b>	<b>Market Value</b>	<b>% of Portfolio</b>
US Treasuries	\$20,673,501	34%
Corporate Bonds	17,633,280	29%
Mortgage-Backed Securities (MBS)	7,904,574	13%
Asset-Backed Securities (ABS)	7,296,530	12%
Commercial Paper	5,472,397	9%
US Government Agencies	1,824,132	3%
<b>Total Securities</b>	<b>\$60,804,414</b>	<b>100%</b>

This allocation supports the City's policy objectives by maintaining high credit quality and diversification across issuer types and security structures, while ensuring adequate liquidity for ongoing operating and capital needs.

## Maturity Distribution

The securities portfolio is structured to provide liquidity in the near-term while allowing the City to capture yield opportunities intermediate-term investments. The maturity distribution is as follows:

Maturity Period	Market Value	% of Portfolio
0-1 year	\$12,772,325	21%
1-2 years	10,030,726	16%
2-3 years	12,717,183	21%
3-4 years	13,801,368	23%
4-5 years	11,482,811	19%
<b>Total</b>	<b>\$60,804,414</b>	<b>100%</b>

This maturity ladder (i.e., the planned spread of maturities that balances liquidity and yield) supports the City's cash flow planning and reduces reinvestment risk by spreading maturities across multiple time horizons.

## Compliance with Investment Policy

The City's investment portfolio is in full compliance with the Investment Policy Statement adopted by the City Council and with applicable provisions of the California Government Code. Specifically:

**Safety:** All securities held meet or exceed the minimum credit quality requirements established in the policy. The portfolio is diversified across multiple issuers and security types to mitigate credit risk.

**Liquidity:** The maturity structure ensures sufficient liquidity to meet the City's operational cash flow requirements, with 36% of the portfolio maturing within two years.

**Yield:** The weighted average yield of 3.86% represents a competitive return given current market conditions and the portfolio's conservative risk profile.

**Diversification:** No single issuer (other than the U.S. Government and its agencies) represents more than 5% of the total portfolio, in compliance with policy guidelines.

**Maturity Limits:** All securities have stated maturities of five years or less at the time of purchase, in compliance with policy requirements. The weighted average maturity of 2.51 years provides an appropriate balance between yield and interest rate risk.

## **Statement of Ability to Meet Liquidity Needs**

The City's investment portfolio maintains adequate liquidity to meet anticipated cash flow requirements for the next three months of the fiscal year. As of March 31, 2026, the City holds \$85,622,806 in cash & LAIF, representing 58% of the total portfolio. Additionally, \$12,772,325 in securities (21% of securities holdings) will mature within one year, providing additional liquidity as needed. The portfolio structure ensures that the City can meet all operational obligations without the need to liquidate long-term investments at potentially unfavorable prices.

## **Market Conditions and Outlook**

During the quarter ending March 31, 2026, the Federal Reserve held the rate steady at its January and March 2026 meetings. Inflation continued to moderate from the peak levels experienced in 2022, with the Consumer Price Index (CPI) declining from year-over-year increase of 9.1% in 2022 to approximately 3.3% in March of 2026. Although inflation has improved, it remains above the Federal Reserve's long-term target of 2%, with recent upward pressure attributable to rising gasoline prices.

In response to current market conditions, the City's investment strategy continues to prioritize the preservation of principal and liquidity while seeking to maximize returns within the parameters of the City's Investment Policy. The portfolio's weighted average yield of 3.86% reflects the benefit of securities acquired during the higher interest rate environment earlier in the fiscal year.

## **FISCAL IMPACT:**

This report is provided for informational purposes in compliance with California Government Code Section 53646 and the City's Investment Policy. There is no fiscal impact associated with receiving and filing this report.

## **ALTERNATIVES:**

1. Approve the staff's recommendations.
2. Reject the staff's recommendations.
3. Provide staff with alternate or further direction.

## **ATTACHMENTS:**

1. March 31, 2026 Investment Report

Recommended by: Alvaro Castellon, Director of Finance

Approved as to form: Noel Tapia, City Attorney

Respectfully submitted: Ernie Hernandez, City Manager