



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council **Item No.** _____
FROM: City Manager
SUBJECT: Quarterly Investment Report – Quarter Ending December 31, 2025
MEETING DATE: February 24, 2026

RECOMMENDATION:

Staff recommends that the City Council receive and file the Quarterly Investment Report for the quarter ending December 31, 2025.

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 December 31, 2025, including the types of investments, performance metrics, and compliance with the established investment policy.

DISCUSSION:

As of December 31, 2025, the City's total investment portfolio value is \$139,340,256, consisting of securities investments, cash holdings, and Local Agency Investment Fund ("LAIF") as detailed below:

Component	Amount
Securities	\$60,249,016
Cash	48,053,956
LAIF	31,037,284
Total Portfolio Value	\$139,340,256

Securities Performance Metrics

Weighted Average Maturity	2.62 years
Weighted Average Yield	3.86%
Interest Income Generated Through 12/31/25	\$1,280,386

The City's investment portfolio achieved a weighted average yield of 3.86% with a weighted maturity of 2.62 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:

Investment Type	Market Value	% of Portfolio
US Treasuries	\$19,279,685	32%
Corporate Bonds	\$17,472,214	29%
Asset-Backed Securities (ABS)	\$7,832,372	13%
Mortgage-Backed Securities (MBS)	\$7,229,882	12%
Commercial Paper	\$6,024,902	10%
US Government Agencies	\$1,807,470	3%
Money Market Funds	\$602,490	1%
Total Securities	\$60,249,016	100%

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	\$11,587,695	19%
1-2 years	\$10,030,606	17%
2-3 years	\$11,881,243	20%
3-4 years	\$13,925,156	23%
4-5 years	\$12,824,315	21%
Total	\$60,249,016	100%

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 2.62 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 six months. As of December 31, 2025, the City holds \$79,091,241 in cash & LAIF, representing 57% of the total portfolio. Additionally, \$11,587,695 in securities (19% 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 December 31, 2025, interest rates remained relatively stable following the Federal Reserve's rate cuts earlier in the year. The Fed lowered the Fed Funds rate from 4.50% to 3.75% through three separate rate cuts in 2025. Treasury yields declined across the yield curve, with the 2-year Treasury ending the year at 3.47%, down from 4.24% at the end of 2024. The investment strategy remains focused on maintaining safety and liquidity while capturing appropriate returns in the current rate environment. The weighted average yield of 3.86% reflects securities purchased during a higher rate environment earlier in the 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. December 31, 2025 Investment Report

Recommended by: Alvaro Castellon, Director of Finance

Approved as to form: Noel Tapia, City Attorney

Respectfully submitted: Ernie Hernandez, City Manager