



Agenda Item: 15.C
Date of Meeting: July 28, 2025
Department: Finance

STAFF REPORT

To: City Council
From: Ethan Aukee
Subject: **Authorization to Establish an Investment Account with J.P. Morgan Chase for the Purpose of Investing in U.S. Treasury Obligations**
Prepared On: July 9, 2025
Attachments: 1-3 Year Treasury Ladder Fact Sheet
Customized Bond Portfolios Pitchbook

Background/History:

Historically, the City has only established the ability to invest in investment pools authorized under California statutes governed by government code. The City is authorized to invest in U.S. Treasury obligations with a maximum maturity of five years and no restrictions with regard to percentage of total investment portfolio or total amount in one issuer.

Establishing a new investment account to allow for investment in U.S. Treasury obligations will provide for an additional investment option to allow for yield management if the City anticipates decreases in the federal funds rate.

Analysis/Discussion:

Generally, the City's returns from investing in CA approved investment pools are correlated with the federal funds rate. If the cost of borrowing money increases, the City's investment returns tend to increase as well. If the cost of borrowing money decreases, the City's investment returns tend to decrease.

Having the ability to invest in a staggered treasury ladder comprised of U.S. Treasury obligations is a useful tool for diversifying investment options, as well as ensuring a fixed return if the bond(s) purchased is held to maturity. This type of investment can be beneficial as the times to maturity are staggered and can allow for withdrawal of funds in six-month increments, while also offering extended maturity dates when compared to the City's investment pool options. The staggering/ladder approach to the purchasing of these bonds provides for liquidity needs, the extended maturity aspect of the investment option allows for yield stabilization/slower decreases in yield in instances where the federal funds rate decreases. The yield to maturity return listed in the fact sheet is net of fees and actual fees associated with participation in the investment strategy may be lower.

If the establishment of this account is authorized, all investment activity will be conducted pursuant with City policy or California government code (wherever more restrictive).

One note to consider with regard to investing in the treasury ladder is that if any of the bonds owned within the investment account are sold prior to maturity (money withdrawn based on need), the sale would be subject to the then current yield of the type of bond being sold. In other words, if a treasury is owned and sold prior to maturity, there's potential to incur an investment loss based on the yield at the time of sale.

Economic Impacts:

None.

Budget Impacts:

None.

Legal Review:

City Attorney Pucci has reviewed this item and finds that the recommended action complies with the law.

Recommended Action:

City Council to authorize the Finance Director to establish an investment account with J.P. Morgan Chase.

Approved By: Ethan Aukee 7/14/2025

Approved By: Robin Picken 7/14/2025

Approved By: Deston Dishion

Approved By: