



CITY COUNCIL
Staff Report

Meeting Date: Sept. 10, 2024

To: Mayor and City Council

From: Scott Chadwick, City Manager

Staff Contact: Zach Korach, Finance Director/Deputy City Treasurer
zach.korach@carlsbadca.gov, 442-339-2127

Subject: Annual Report of Investments for Fiscal Year 2023-24

Districts: All

Recommended Action

Accept and file the Annual Report of Investments for Fiscal Year 2023-24.

Executive Summary

The City Treasurer reports annually to the City Council and the community on the city's investment portfolio as mandated by the city's Investment Policy. The Annual Report of Investments (Exhibit 1) presents, the market environment that affects the city's investment strategy, portfolio standings and various portfolio analyses for the fiscal year 2023-24.

The position is currently vacant, following the retirement of the previously elected City Treasurer, so the Deputy City Treasurer is presenting this report.

Explanation & Fiscal Analysis

The City Treasurer is tasked with overseeing cash and investment activities for the city and its agencies by managing the funds in excess of day-to-day operating needs. City investments are pooled and invested to meet the treasury's objectives of maintaining safety of principal, maintaining liquidity to meet the operating requirements of the city, and realizing the greatest return on investment.

The foremost objective is safety, the preservation of city capital. The City Treasurer makes prudent investment decisions that are intended to protect the capital of the city for its residents. All investments are made within the scope of the city's investment policy, and current investment details are provided monthly for full transparency and review.

The two basic measures of an investment are par value, also known as the nominal value; and the book value, the value that is entered in the city records, which is driven by the actual cost of the investment and adjustments such as amortization.

- The city's investment portfolio increased \$28.5 million in par value from the previous fiscal year.
- The book value increased \$22.4 million from the previous fiscal year.

Second to safety is liquidity. The City Treasurer employs various methods to ensure adequate liquidity of capital as defined in the city's investment policy. One method is to maintain the portfolio below the maximum maturity limit, which requires cash and maturities equal to at least two-thirds of the approved operating budget for that fiscal year. Another method is maintaining the portfolio under the maximum modified duration, which is a measure that reflects the portfolio's price sensitivity to changes in interest rates. Finally, all investments have a maximum maturity of 5 years from the date of purchase settlement. Utilization of these methods maintains adequate liquidity to ensure that operational needs will be met and avoids circumstances that could result in selling at a loss.

The report shows:

- During the fiscal year, the treasurer monitored and maintained an average of \$319.6 million in cash and investments maturing within one year, well above the minimum of \$251.5 million required.
- The modified duration was 1.59 years as of the close of the fiscal year, well below the maximum allowed duration of 2.20 years. The City Treasurer remained within the limits of the modified duration restrictions throughout the year.
- All investments maintained a maximum maturity equal or less than 5 years, with the fiscal year average portfolio maturity at 1.79 years.

Once safety and liquidity objectives have been met, the City Treasurer aims to realize a return on investments. As the report details:

- Fiscal year 2023-24 started off with a monthly portfolio yield of 2.22% and ended the year with a portfolio yield of 2.88%, for an average yield of 2.55%.
- Total interest earnings were over \$21.2 million for the fiscal year.
- The market value of the investment portfolio increased \$41.1 million over the last fiscal year.

Gains in market value are governed by judicious investment decisions focusing on current market rates and anticipated future rates.

The investment portfolio increased 3.26% in par value over the fiscal year. Available investments demonstrated increasing rates in response to the market environment, resulting in an investment strategy to purchase securities to lock in higher rates. Throughout the year, investment purchases outweighed investment maturities by \$45.0 million, resulting in a net increase in investments by 5.39%. This strategy yielded an increase in interest earnings of 31.1% over the previous fiscal year, which represents over \$5.0 million in additional revenue.

More detailed information can be found in the report attached as Exhibit 1.

Next Steps

The Deputy City Treasurer will continue to manage the investment program for the city and all of its agencies, including the Carlsbad Municipal Water District, and continue to produce monthly and annual reports on city investments for the City Council and the community. Following the general ballot election in November 2024, this role and function will be transitioned to the new elected City Treasurer.

Environmental Evaluation

This action does not require environmental review because it does not constitute a project within the meaning of the California Environmental Quality Act under California Public Resources Code Section 21065 in that it has no potential to cause either a direct physical change or a reasonably foreseeable indirect physical change in the environment.

Exhibits

1. Annual Report of Investments for the Fiscal Year Ending June 30, 2024

FISCAL YEAR 2023-24

City Treasurer's Annual Report of Investments



CITY
TRESURER | ANNUAL
REPORT OF
INVESTMENTS

FISCAL YEAR 2023-24

ZACH KORACH
FINANCE DIRECTOR/
DEPUTY CITY TREASURER
SEPT. 10, 2024



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INTRODUCTION



CITY TREASURER LETTER OF TRANSMITTAL

Fiscal Year 2023-24 Annual Report of Investments

Sept. 10, 2024

Honorable Mayor, City Council and residents of the City of Carlsbad,

I am pleased to present the Annual Report of Investments for the City of Carlsbad for the fiscal year 2023-24 which ended June 30, 2024. The report is intended to provide information as a basis for reviewing portfolio performance and making management decisions. It also provides an archival reference.

The City Treasurer is charged with the design of an effective cash management and investment program for the City of Carlsbad and all its agencies. Among other activities, this includes arranging banking services, forecasting all cash receipts and expenditures, investing inactive cash, managing investment risk exposures and reporting all investment activities.

This report summarizes and analyzes the activities of the investment portfolio over fiscal year 2023-24. This report begins with a quick overview and summary of key annual data. The second section, market review, provides an overview of the market environment affecting portfolio management decisions, and includes Federal Funds target rate and U.S. Treasury short-term interest rates data. The third section, portfolio review, looks at the composition of the portfolio including total assets and the trend regarding size of the fund, fund sources of the portfolio and the portfolio allocation. The fourth section, portfolio analysis, includes yield information and comparisons to treasury rates, unrealized gains and losses, cash income, maturity data and modified duration. The final section, appendices, provides disclosures, data tables and additional information. Future fund activity depends on the market environment for investing decisions and anticipated returns for each investment classification. These factors are monitored for trends and evaluated prior to all investing decisions.

Sincerely,



Zach Korach,
Finance Director/Deputy City Treasurer

FISCAL YEAR 2023-24 QUICK LOOK

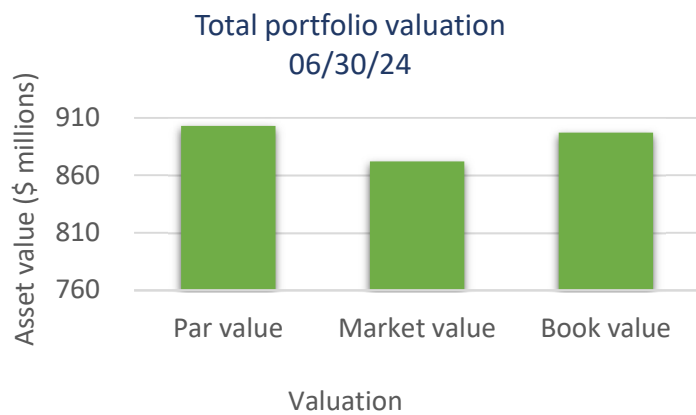
Market review

- Federal funds target rate: 5.50%; fiscal year increase of 0.50%
- Two-year U.S. Treasury: 4.71%; fiscal year decrease of 0.18%



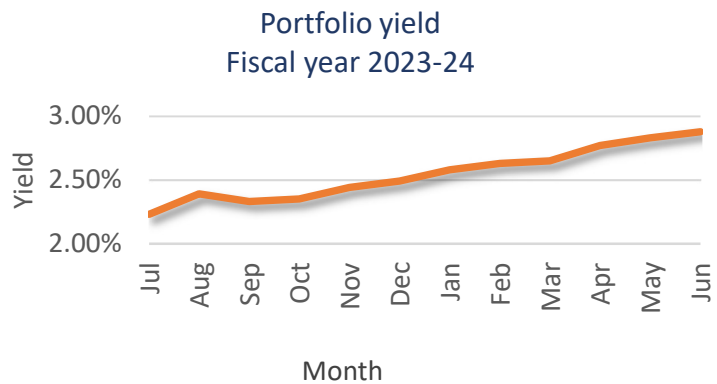
Portfolio overview

- Total portfolio value at par value: \$902,855,260
- Total portfolio fiscal year increase: \$28,505,154
- Federal Agencies represent 38.8% of all investments



Portfolio analysis

- Portfolio yield as of 06/30/24: 2.88%
- Portfolio interest for the fiscal year: \$21,201,394
- Average maturity as of 06/30/24: 1.85 years



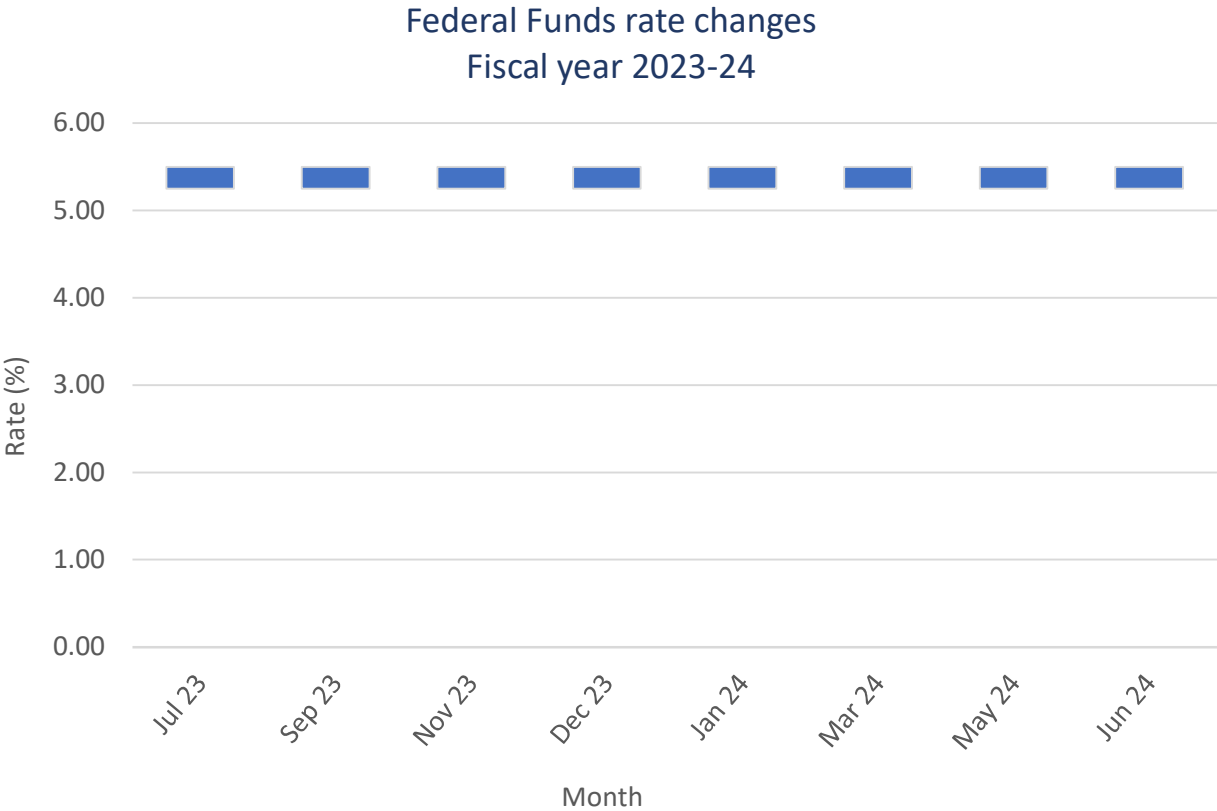
MARKET REVIEW



FEDERAL FUNDS TARGET RATE

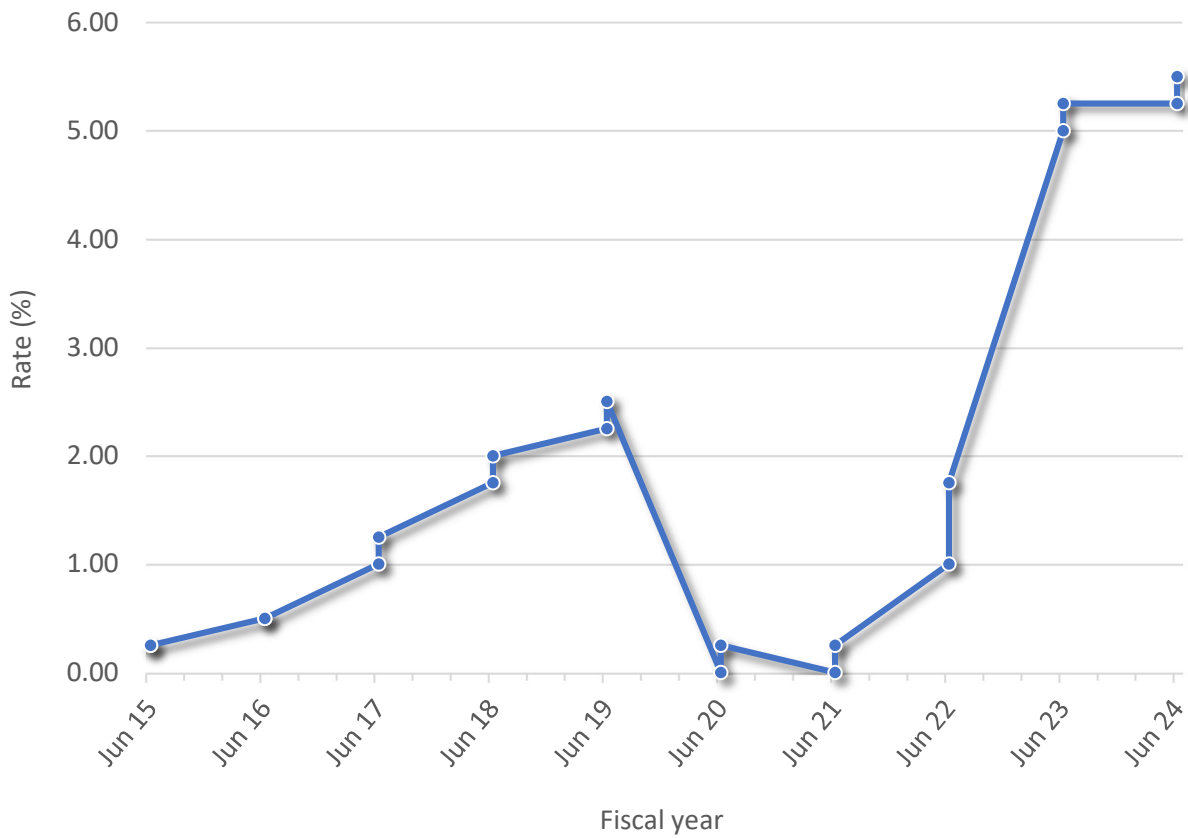
The federal funds target rate is considered one of the most important interest rates in the U.S. economy. It is a key money market rate that correlates with rates of other short-term credit arrangements. It is the interest rate that banks charge each other for overnight loans and influences many aspects of the U.S. economy.

The rate is represented as a range, which is set by the Federal Open Market Committee eight times per year. The Federal Open Market Committee specifies the short-term objective for the purchase and sale of securities in the open market.



The rate is adjusted in response to economic conditions and in response to factors such as inflation or recession environments. To slow the rate of inflation, the Federal Reserve began raising rates in 2022, continued through the first half of 2023, and have held steady since July 2023.

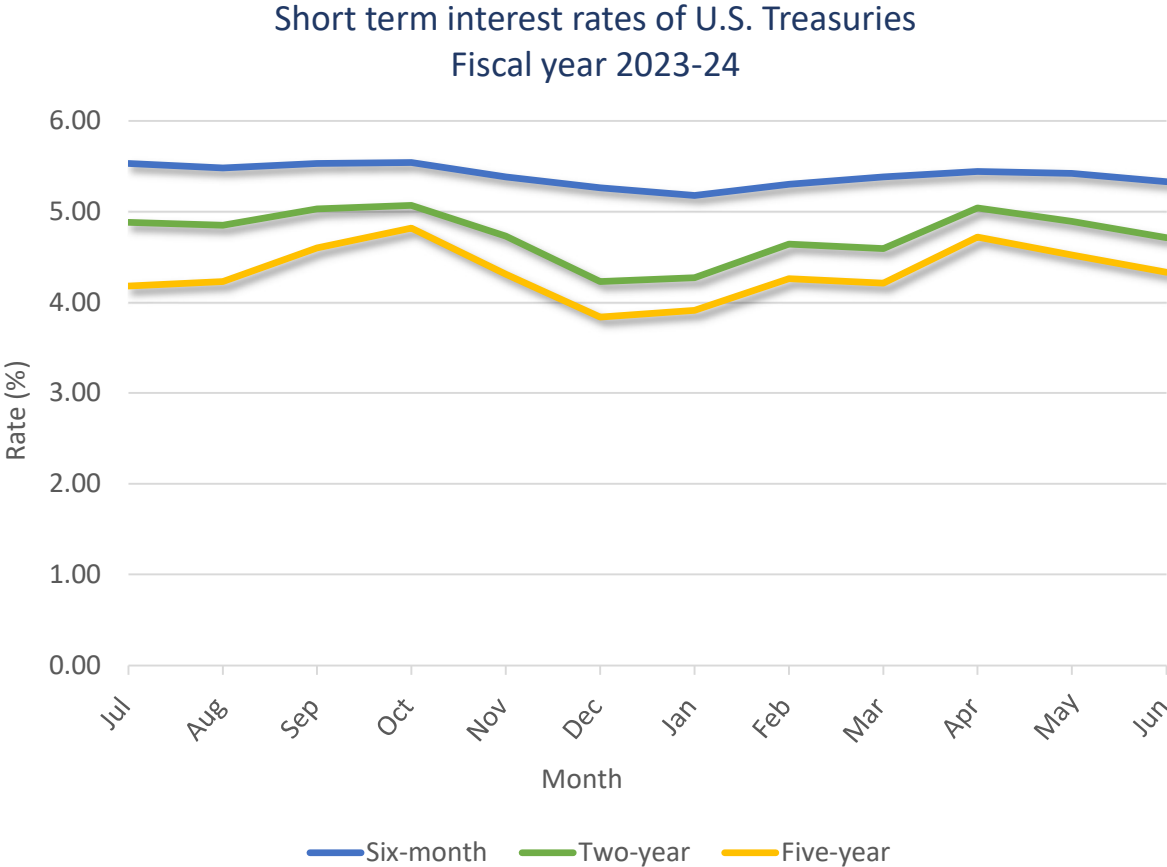
Federal Funds rate Fiscal year 2023-24 and prior nine years



Between 2013 and 2015, rates held at 0.25% to support economic growth following the 2008 recession. As the economy continued to grow, the rate was increased to stabilize the level of growth. Rates lowered in 2020 and 2021 as a result of the COVID-19 pandemic, but with inflation on the rise since 2022, rates steadily increased, leveling out mid-2023 and remaining steady through the fiscal year.

SHORT-TERM INTEREST RATES

The rates for U.S. Treasury bonds are important to all investors, but especially to bond investors. These bonds are issued by the Department of the Treasury and are an indicator as to how the U.S. government predicts inflation and the overall economy will change. Changes in short-term market interest rates are usually affected by the actions of the Federal Reserve.

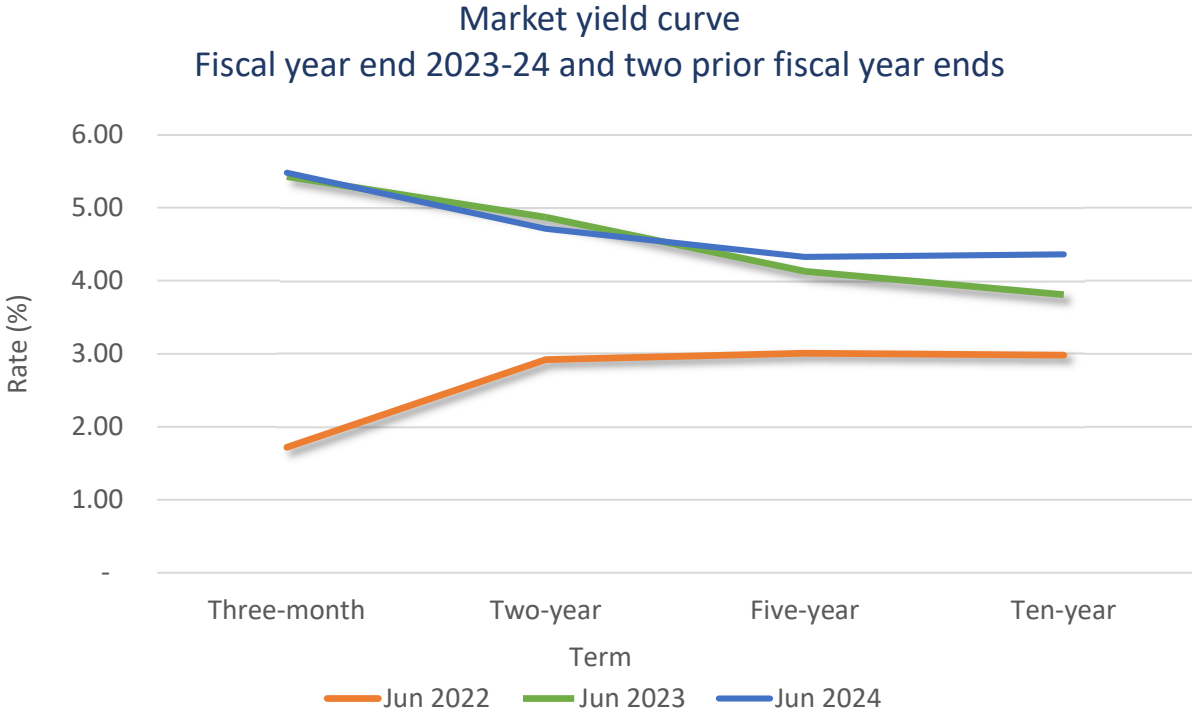


Short-term interest rates in the three exhibited trends of five-year market, two-year market, and six-month market had minimal changes during the fiscal year, measured from July 1, 2023, to June 30, 2024:

- Six-month: decrease of 0.20%, from 5.53% to 5.33%
- Two-year: decrease of 0.17%, from 4.88% to 4.71%
- Five-year: increase of 0.15%, from 4.18% to 4.33%

MARKET YIELD CURVE

The yield curve is a graphic presentation of the difference between short-term and longer-term interest rates of U.S. Treasury instruments on a given day. Financial analysts use it to, among other things, assess likely changes in inflation levels as well as the likelihood of entering into an economic recession.



Yield curves:

- Normal: implies economic expansion
- Inverted: implies economic reduction
- Flat: implies transition in the economic environment

The current fiscal year continues to show an inverted yield curve, expressing that yield increases as maturity decreases. In other words, short-term investments are offering higher yields. This may be an indication of movement from short-term to long-term investments, implying an effort to hedge against fear of an economic recession.

The City Treasurer maintains a mixture of liquid assets and longer-term investments which allows benefits of higher short-term interest rates and security against economic uncertainty.

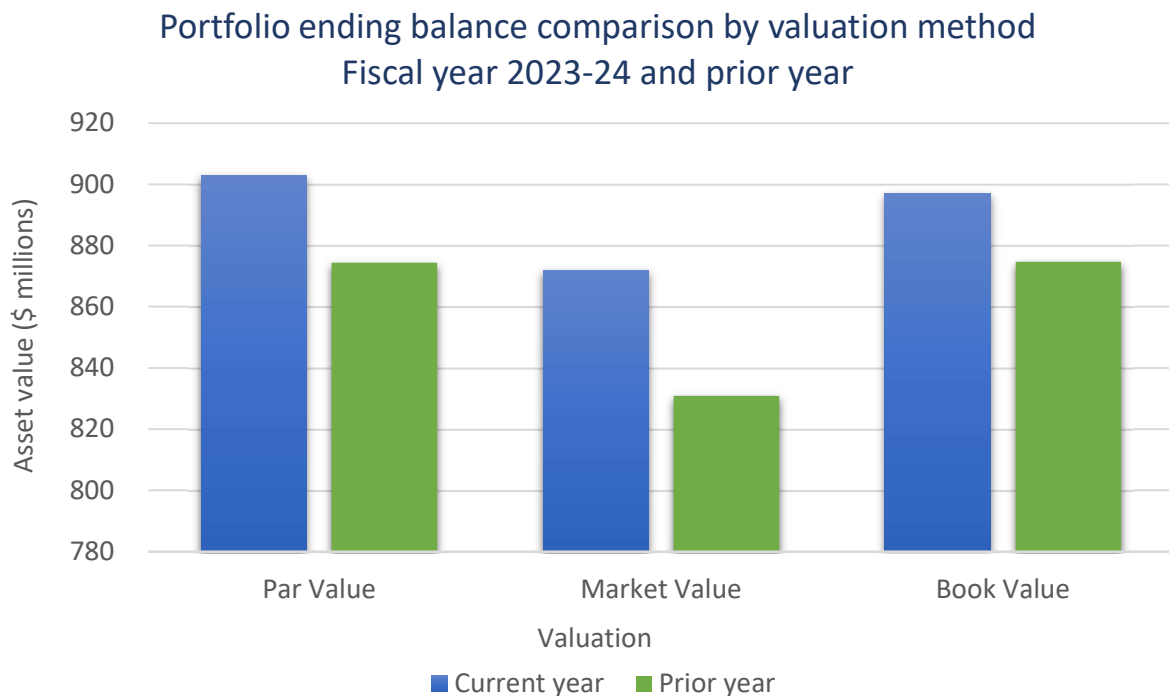
PORTFOLIO REVIEW



PORTFOLIO TOTAL ASSETS

Assets are invested by the City Treasurer with the objectives of maintaining safety of principal, maintaining liquidity to meet the operating requirements of the city, and realizing the best return on investment. Safety of principal is the foremost objective of all investments made by the City Treasurer.

By pooling assets and investing a laddered portfolio, the city can ensure funds are available to meet obligations while earning the highest possible amount of interest.



Total assets in the investment portfolio

- Par value: \$902,855,206, increase of 3.26% over prior year.
- Market value: \$871,929,110, increase of 4.95% over prior year.
- Book value: \$897,056,042, increase of 2.56% over prior year.

The portfolio is constantly fluctuating. Safety of capital is the first and foremost investing principal, but small increases and decreases are normal and expected. These fluctuations occur as a normal part of operations.

Causes of portfolio increases:

- Interest earned
- Revenues in excess of expenses

Causes of portfolio decreases:

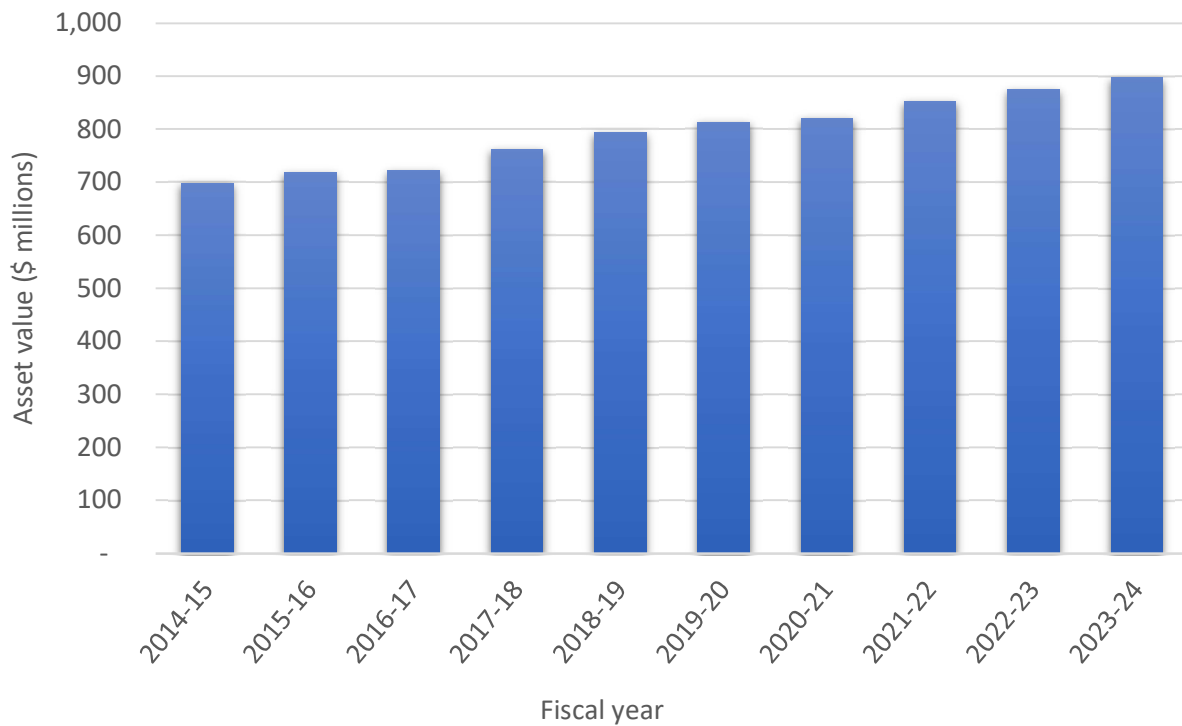
- Interest incurred
- Expenses in excess of revenues

Key portfolio changes at par value during fiscal year 2023-24:

- Maturities: \$163,893,595
- Calls: \$6,500,000
- Buys: \$208,847,364

The City Treasurer is responsible for maintaining the city’s operational cash flow needs while ensuring that excess funds are being invested in the safest and most effective manner year after year.

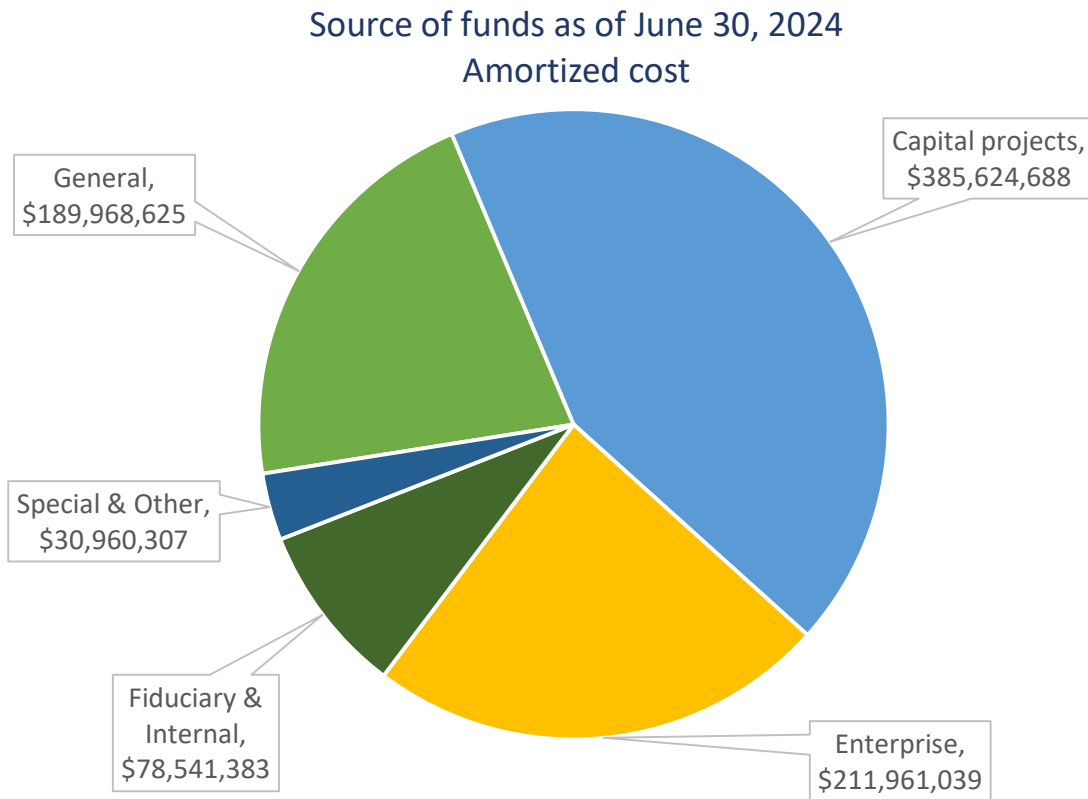
Total portfolio value at amortized cost
Fiscal year 2023-24 and prior nine years



Total portfolio value has increased year after year. The last ten years have seen an increase of 28.50%. This represents a cash value of \$198,960,987. This total increase is a result of thoughtful and prudent investment decisions. All funds in excess of expenses are reinvested while maintaining the liquidity required for city operations, present and future.

SOURCES OF PORTFOLIO

The portfolio is an internal investment pool that invests the available cash from various funds of all city agencies, city owned and fiduciary assets.

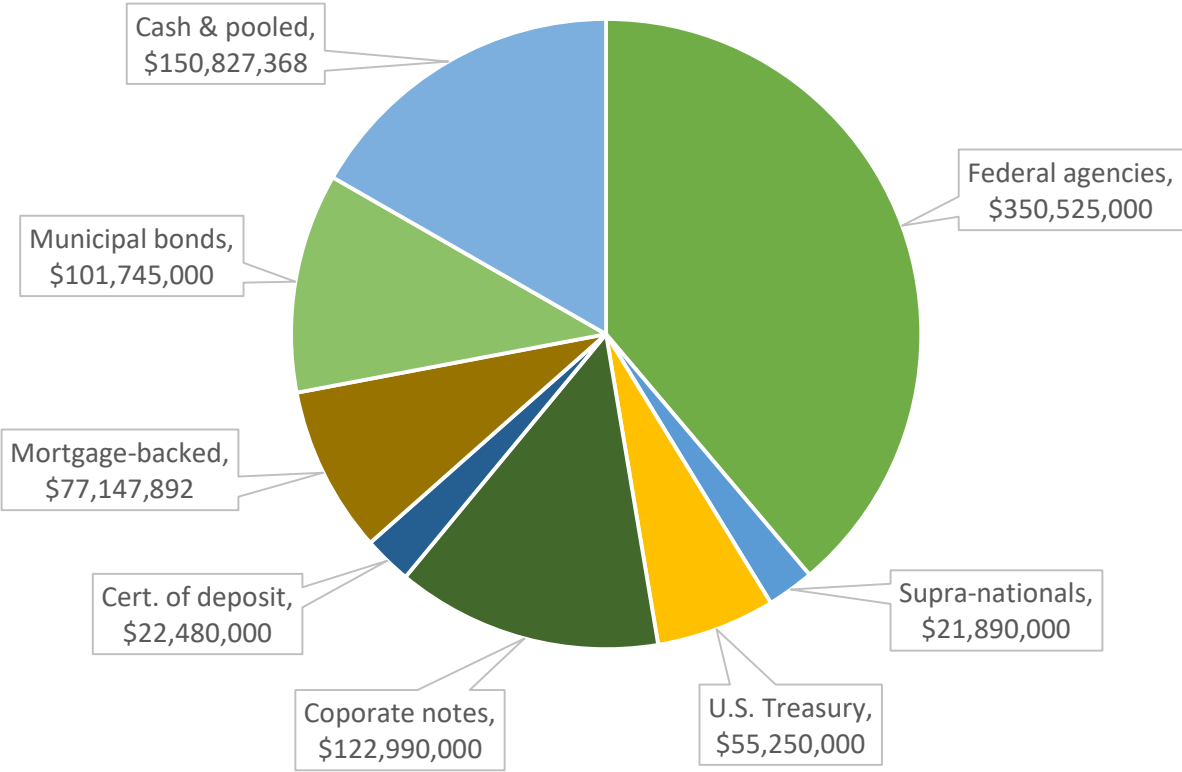


The capital project fund includes funds for the general capital construction, traffic impact fees, public facilities fees, park development, certain taxes, drainage fees, special districts, infrastructure replacement, and gas tax funds. Enterprise funds consist of the Carlsbad Municipal Water District, wastewater, solid waste, storm water, and golf course funds.

ALLOCATION OF PORTFOLIO

Investments are made in financial instruments as authorized by the City of Carlsbad Investment Policy and the California Government Code. Apart from bank deposits, deposits in the California state Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), all investments are in fixed-income instruments with known maturity dates.

Allocation of investments as of June 30, 2024
Par value

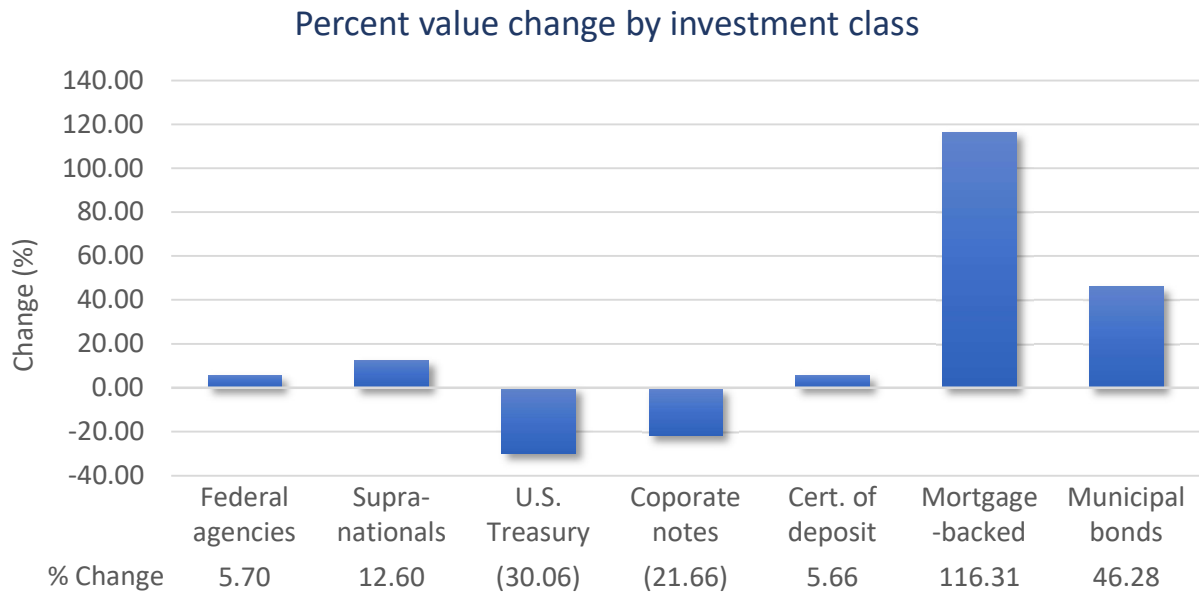


Federal agencies make up 38.82% of the total investment portfolio. Provided below is the breakout of issuers within the federal agency category as of June 30, 2024:

Federal agency breakdown by percentage of total portfolio at par value

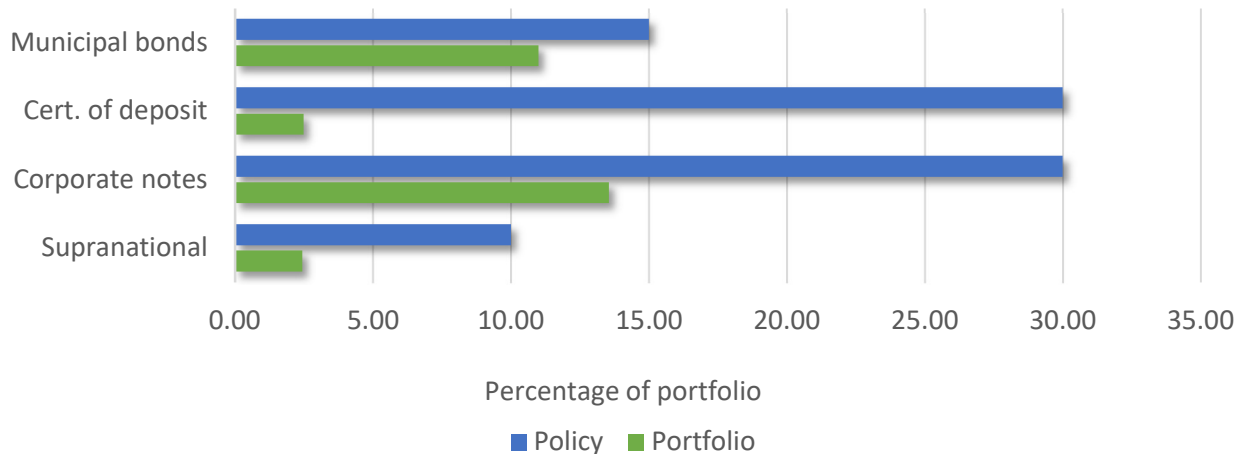
Federal Farm Credit Bank	8.79%
Federal Home Loan Bank	16.30%
Federal Home Loan Mortgage Corporation	7.08%
Federal National Mortgage Association	3.98%
Federal Agricultural Mortgage Corporation	2.56%
Tennessee Valley Authority	0.11%
Total	38.82%

Fiscal year 2023-24 net changes



Changes in investments are a result of multiple factors including maturities, calls and new investments. The data is represented at par value and does not reflect fluctuations of the market value because in conjunction with the liquidity principal, the city maintains a 'buy and hold' perspective. This means that the city does not sell investments in the normal course of operations and instead, holds the investments to maturity. The benefit of this policy is that investments will not be sold at a loss and the full par value will be returned.

Policy Limits and Portfolio Allocation as of June 30, 2024



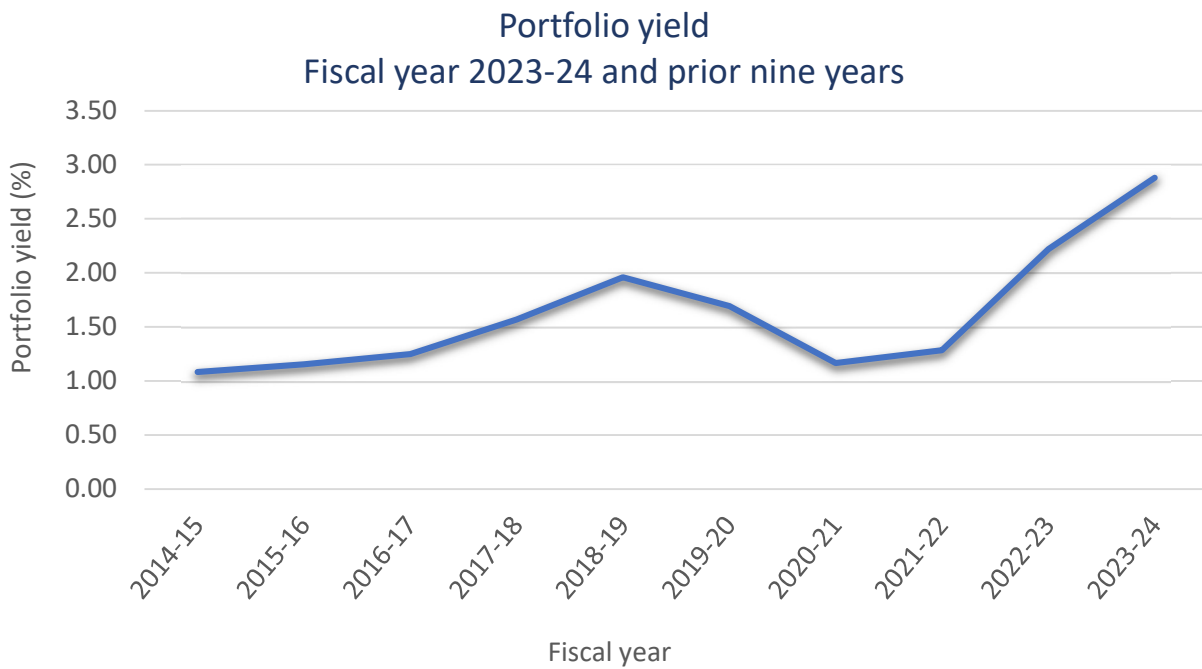
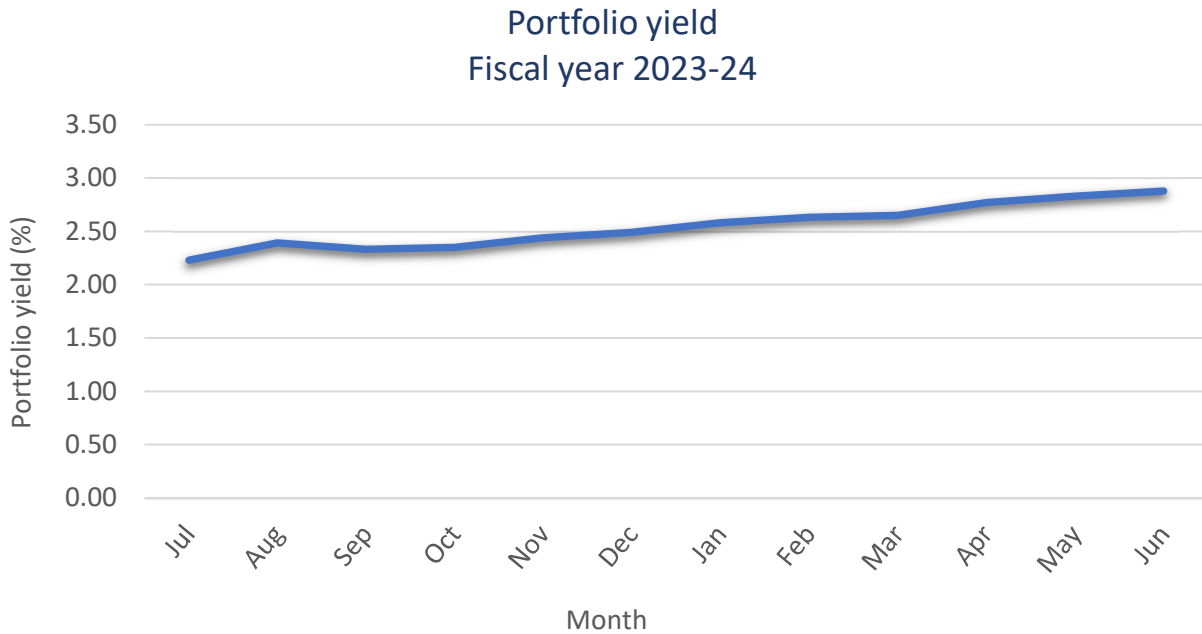
Certain investment types are restricted by the City of Carlsbad Investment Policy for the purpose of balanced allocation. All investments are well under the policy limitations allowing for continued purchases of the best-fit investments.

PORTFOLIO ANALYSIS



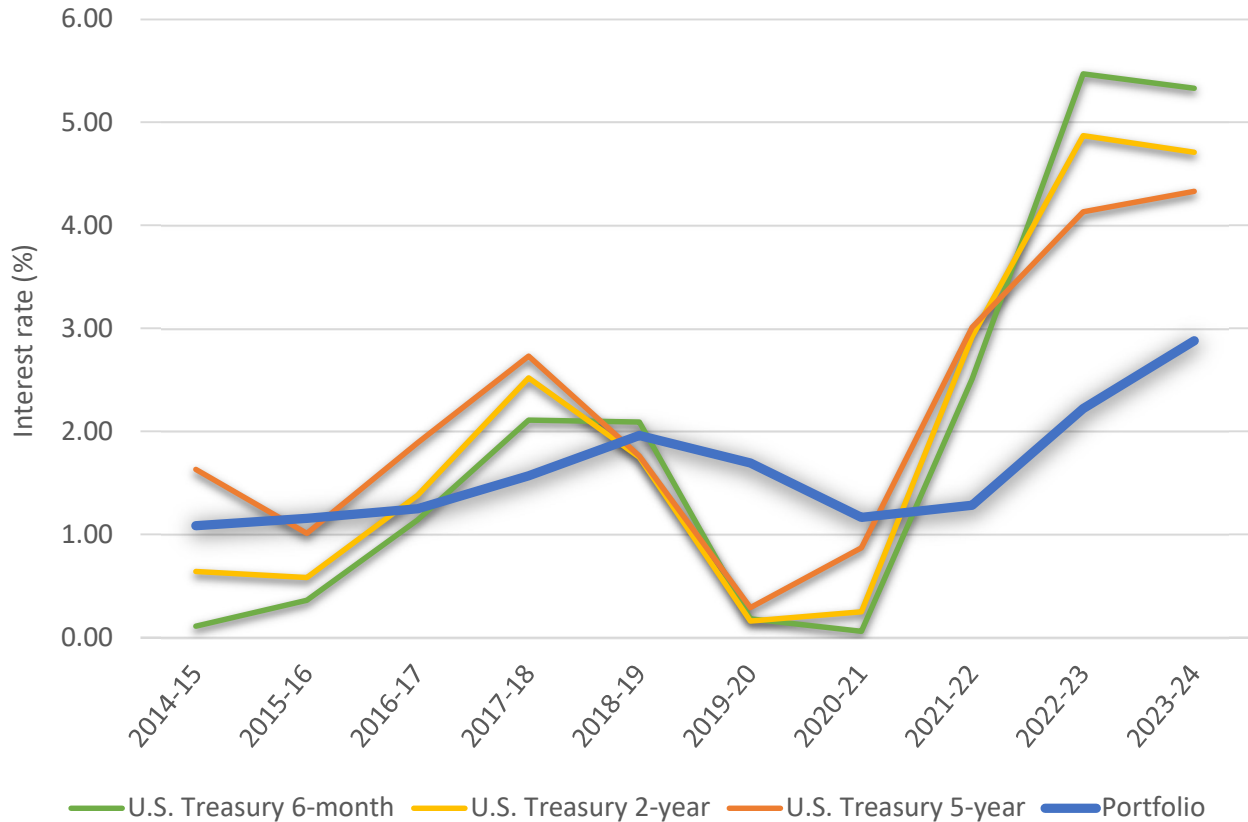
PORTFOLIO YIELD

The average return of the portfolio increased 66 percentage points during the current fiscal year from 2.22% for fiscal year 2022-23 to 2.88% for fiscal year 2023-24.



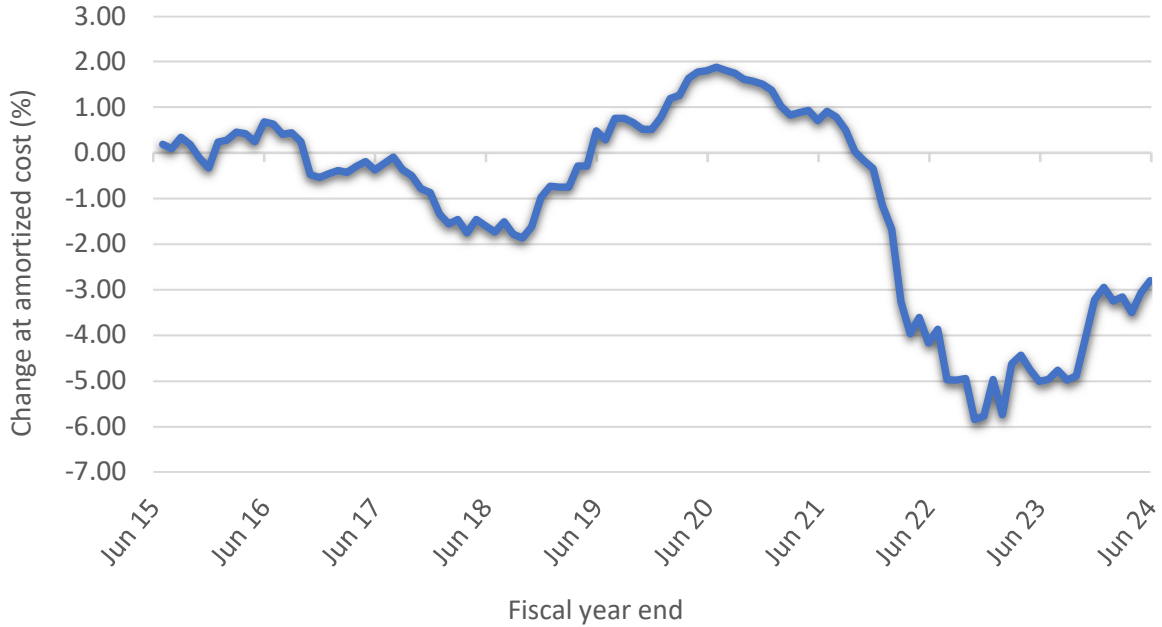
The current year has shown a portfolio yield increase of 0.66%, and a ten-year increase of 1.84%. By keeping a vigilant watch on the current market trends, the City Treasurer makes the most opportune investment decisions to first and foremost protect the city's assets, and then to maximize the return on capital.

Portfolio rate with to six-month, two-year, and five-year
U.S. Treasury rates
Fiscal year 2023-24 and prior nine years



As compared to U.S. Treasury rates, the portfolio yield shows stabilization. The portfolio yield is influenced by changes in market interest rates. By investing in a variety of maturity dates, a variety of investment types and following a buy and hold policy, the effect of the sometimes dramatic changes in market rates has a less dramatic effect on the city's portfolio.

Historical unrealized gains and losses Fiscal year 2023-24 and prior nine years



Investments experience market value gains and losses subsequent to purchase because of changes in market interest rates. When market interest rates decrease, investments made previously at higher rates will gain value. The reverse is true when market interest rates increase. These changes in value are referred to as unrealized gains and unrealized losses.

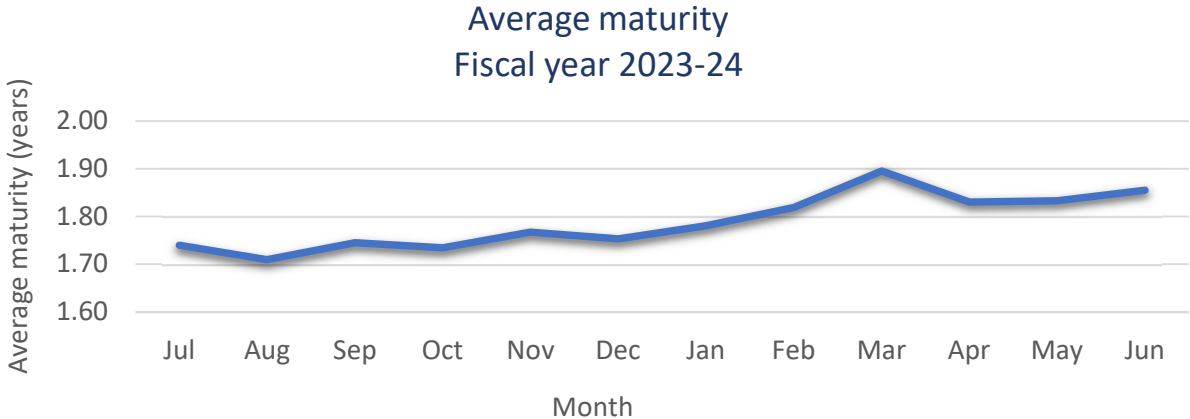
Changes in value due to changes in market interest rates are normal and are to be expected. Reporting requires that the city recognizes the market value of investments on an annual basis, however, the city's buy and hold policy safeguards against market volatility.

MATURITY & MODIFIED DURATION

The second objective in the City Treasurer’s investing strategy is liquidity. The purpose of liquidity is ensuring adequate cash is available to fund city operations. In order to maintain liquidity, the measurement of modified duration is used.

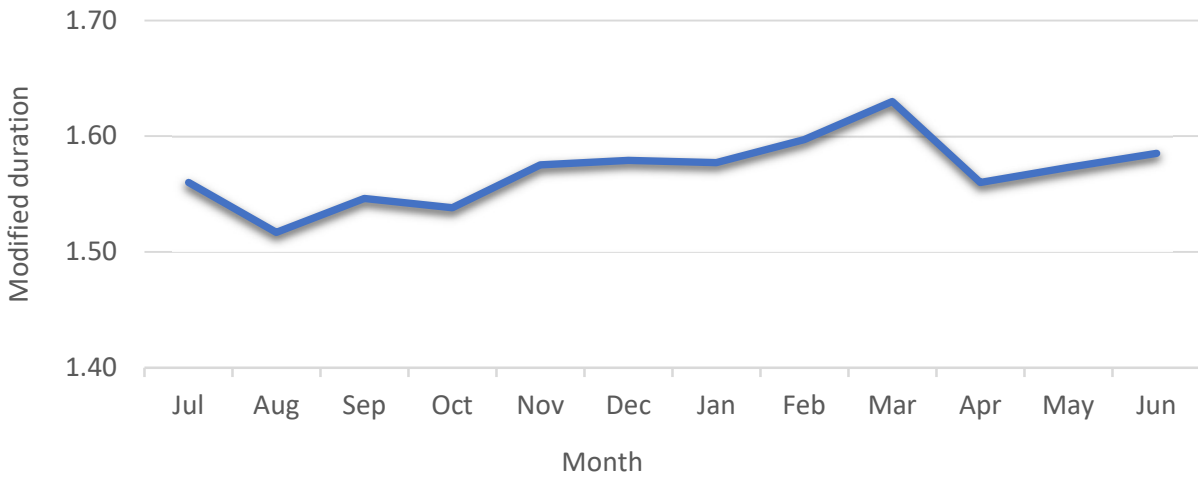


The maximum term for investments is five years. This graph shows how maturity is distributed as of June 30, 2024. 37.75% of the portfolio is maturing within 12 months and includes overnight pooled cash accounts. Policy dictates that a minimum of two-thirds the operating budget be maturing within 12 months. As of June 30, 2024, 87.24% of the fiscal year 2023-24 budget is maturing within 12 months.



Average maturity is required to be three years or less, and as of June 30, 2024, is 1.85 years. The increasing average maturity is indicative of reinvestment of maturities to hold higher interest rates over longer periods of time.

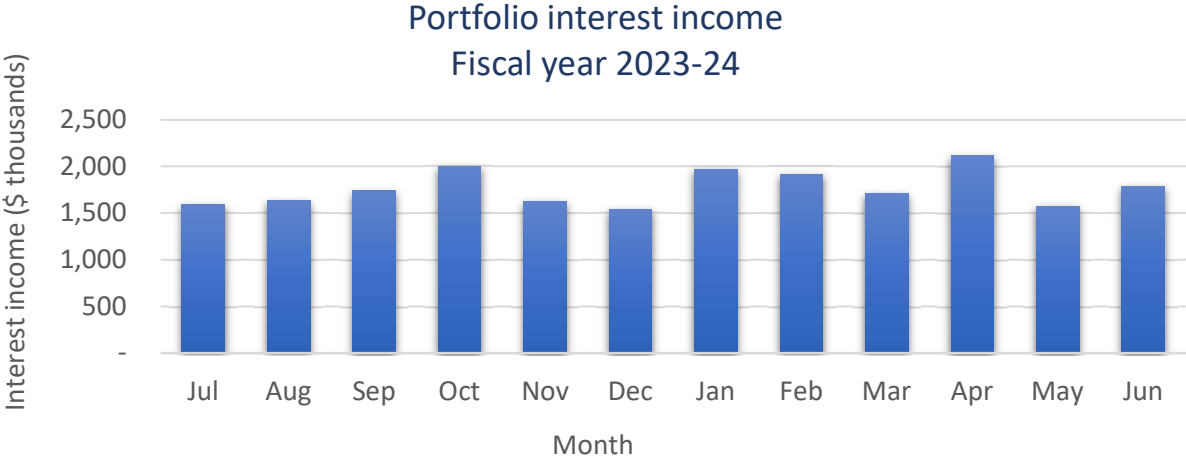
Modified duration Fiscal year 2023-24



Modified duration is a measure of an investment's price sensitivity to interest rate changes. The maximum modified duration established by the city's Investment Policy is 2.2. As of June 30, 2024, the modified duration was 1.59.

PORTFOLIO INTEREST INCOME

After safety and liquidity, return on investments is the third principal of investments. Cash income is a function of assets in the portfolio, the market interest rates at the time of the investments and interest payment schedules of the portfolio holdings.

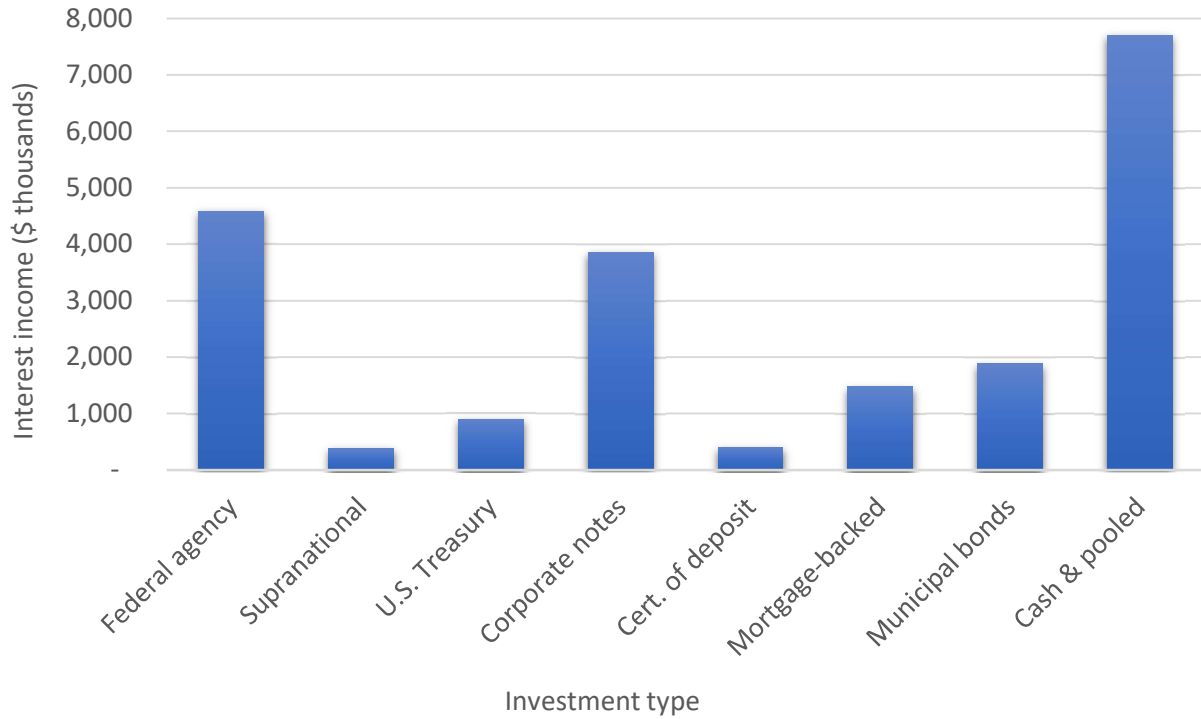


Interest for the fiscal year totaled \$21,201,394, a 31.13% increase, or \$5,033,244 increase, from the prior fiscal year. Interest revenue is allocated to city funds based on their value.



Interest income is influenced by a variety of factors such as market rate, investment type and amount invested. As these factors are constantly changing, investment income fluctuates year to year.

Interest income by investment classification Fiscal year 2023-24



With an investment strategy of continued moderate-term investments, the City Treasurer has also allocated funds to short-term and overnight accounts in the latter part of the year to take advantage of the steeply increased short-term rates.

APPENDICIES



RISK MANAGEMENT DISCLOSURES

All investments are exposed to risk of some type. The objective of risk management is to identify the risks involved and establish acceptable levels of risks that are consistent with the city's investment objectives. Risk management includes managing, measuring, monitoring and reporting the various risks to which portfolio investments are exposed.

Portfolio investments are exposed to the following types of risks:

- Credit risk
 - Custodial credit risk
 - Investments
 - Deposits
 - Default credit risk
 - Concentration credit risk
- Interest rate risk
- Event risk

Custodial credit risk (investments)

The city uses a third-party custody and safekeeping service for its investment securities. Principal Custody Solutions is under contract to provide these custodial services. Custodial credit risk is the risk that the city will not be able to recover the value of its investments in the event of a Principal Custody Solutions failure. All city investments held in custody and safekeeping by Principal Custody Solutions are held in the name of the city and are segregated from securities owned by the firm. This is the lowest level of custodial credit risk exposure.

Custodial credit risk (deposits)

The city maintains cash accounts at Wells Fargo Bank. At the conclusion of each business day, balances in these accounts are "swept" into overnight investments. These overnight investments are pooled and collateralized with either U.S. government securities or U.S. agency securities. The California Code authorizes this type of investment. A small amount of cash is not swept from the Wells Fargo Bank checking accounts to cover checks that may be presented for payment. Amounts up to \$250,000 are FDIC insured.

Default credit risk

Default credit risk is the risk that the issuer of the security does not pay either the interest or the principal when due. The debts of most U.S. agencies are not backed by the full faith and credit of the federal government; however, because the agencies are U.S. Government-sponsored, they carry an AA credit rating. The default credit risk of these investments is minimal.

Unless otherwise exempted, California Government Code limits investments, at the time of purchase, to the top three credit ratings: AAA, AA, and A. It is the city's policy, however, to limit investments, at the time of purchase, to the top two credit ratings (AAA and AA). As of June 30,

2024, one investment in corporate notes had a credit rating below the AA limit. These investments were made when the credit ratings were either AAA or AA and a subsequent change in rating has occurred. California Government Code and the city's Investment Policy allow the City Treasurer to determine the course of action to correct exceptions to the policy. It is the intent of the City Treasurer to hold these investments in the portfolio until maturity unless events indicate a sale should be made.

The default credit risk for corporate notes with a credit rating of single A (A) is considered by the City Treasurer to be within acceptable limits for purposes of holding to maturity and is within the California Government Code limitations.

LAIF is an investment pool managed by the California State Treasurer. Its investments are short-term and follow the investment requirements of the state. The state treasurer is not required to contract for a credit rating to be assessed for LAIF. California Government Code Section 16429.3 excludes LAIF deposits from being transferred, loaned, impounded, or seized by any state agency or official.

Concentration credit risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The California Government Code does not identify a specific percentage that indicates when concentration risk is present for any one issuer.

California Government Code Section 53601(k) requires that total investments in medium-term corporate notes of all issuers not exceed 30% of the portfolio. As of June 30, 2024, approximately 13.55% of the city's total portfolio investments were in medium-term corporate notes.

California Government Code Section 53601(o) requires that non-agency mortgage-backed securities shall not exceed 20% of the portfolio. As of June 30, 2024, all city-held mortgage-backed securities are backed by Federal Agencies.

For concentration of investments in any one issuer, the city's Investment Policy requires that no more than 5% of investments in corporate notes, non-agency mortgage-backed securities, and municipal bonds be in any one issuer. There is no similar requirement in either the California Government Code or the city's investment policy for U.S. agencies. As of June 30, 2024, no investments in any one of the aforementioned securities has an issuer that exceeded 5% of total portfolio investments.

Interest rate risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value.

As of June 30, 2024, the portfolio had a 2.80% unrealized loss in market value based on amortized cost.

The city's Investment Policy has adopted two means of limiting its exposure to market value losses caused by rising market interest rates: (1) limiting total portfolio investments to a maximum modified duration of 2.2, and (2) requiring maturing investments within one year to be equal to an amount that is not less than two thirds of the current year operating budget of \$377,263,607. As of June 30, 2024, the modified duration of the portfolio was 1.59, within the required maximum of 2.2. Investments maturing within one year were \$329,119,127, exceeding the required minimum of \$251,509,071. The city's exposure to interest rate risk is within acceptable limits.

Event risk

Event risks include the chance that something unexpected will impede the ability of an issuer of a security to meet its obligations. These types of risks are usually short in duration but can impair the city's ability to communicate with or use banking services. Such an event could cause a delay in collecting securities which have matured. Security risks are also within this category.

DATA TABLES

Data tables provided for additional details for graphs throughout the report.

Federal target rate detail, fiscal year 2023-24

Period	Range limit
Jul 2023	5.25 - 5.50%
Sep 2023	5.25 - 5.50%
Nov 2023	5.25 - 5.50%
Dec 2023	5.25 - 5.50%
Jan 2024	5.25 - 5.50%
Mar 2024	5.25 - 5.50%
May 2024	5.25 - 5.50%
Jun 2024	5.25 - 5.50%

Short-term interest U.S. Treasury rate detail, fiscal year 2023-24

Period	Six-month	Two-year	Five-year
Jul 2023	5.53%	4.88%	4.18%
Aug 2023	5.48%	4.85%	4.23%
Sep 2023	5.53%	5.03%	4.60%
Oct 2023	5.54%	5.07%	4.82%
Nov 2023	5.38%	4.73%	4.31%
Dec 2023	5.26%	4.23%	3.84%
Jan 2024	5.18%	4.27%	3.91%
Feb 2024	5.30%	4.64%	4.26%
Mar 2024	5.38%	4.59%	4.21%
Apr 2024	5.44%	5.04%	4.72%
May 2024	5.42%	4.89%	4.52%
Jun 2024	5.33%	4.71%	4.33%

Market yield curve, fiscal year 2023-24 and prior two years

FY end date	Three-month	Two-year	Five-year	Ten-year
06/30/22	1.72%	2.92%	3.01%	2.98%
06/30/23	5.43%	4.87%	4.13%	3.81%
06/30/24	5.48%	4.71%	4.33%	4.36%

Valuation table, fiscal year 2023-24

Different values are presented throughout the report. This data table presents varying valuation types, listed by class as of June 30, 2024.

Class	Par value	Market value	Book value
Certificate of Deposit	\$ 22,480,000	\$ 21,681,219	\$ 22,476,968
Corporate Notes	\$ 122,990,000	\$ 118,114,447	\$ 123,020,978
Federal Agency	\$ 350,525,000	\$ 336,219,140	\$ 348,658,055
U.S. Treasury	\$ 55,250,000	\$ 53,401,850	\$ 54,830,175
Supranational	\$ 21,890,000	\$ 21,264,562	\$ 21,899,869
Municipal Bonds	\$ 101,745,000	\$ 95,882,867	\$ 98,786,634
Pass Through Securities	\$ 77,147,892	\$ 74,537,657	\$ 76,555,995
Cash & Pooled	\$ 150,827,368	\$ 150,827,368	\$ 150,827,368
Total	\$ 902,855,260	\$ 871,929,110	\$ 897,056,042

Portfolio assets valuation, fiscal year 2023-24 and prior nine years

Fiscal year	Par value	Market value	Book value
2014-15	\$ 696,923,770	\$ 698,918,091	\$ 698,095,055
2015-16	\$ 715,837,393	\$ 721,730,358	\$ 717,721,310
2016-17	\$ 720,912,625	\$ 720,280,916	\$ 722,577,923
2017-18	\$ 761,973,309	\$ 750,805,057	\$ 761,499,745
2018-19	\$ 794,156,136	\$ 796,915,076	\$ 793,677,467
2019-20	\$ 807,311,873	\$ 827,577,140	\$ 812,848,717
2020-21	\$ 813,600,409	\$ 827,094,051	\$ 821,268,939
2021-22	\$ 846,773,333	\$ 821,428,843	\$ 852,168,180
2022-23	\$ 874,350,106	\$ 830,832,607	\$ 874,704,150
2023-24	\$ 902,855,260	\$ 871,929,110	\$ 897,056,042

Sources of portfolio at amortized cost, fiscal year 2023-24

Fund type	2022-23	2023-24
General	\$ 185,166,409	\$ 189,968,625
Capital projects	\$ 375,873,203	\$ 385,624,688
Enterprise	\$ 204,198,973	\$ 211,961,039
Fiduciary & Internal service	\$ 75,097,927	\$ 78,541,383
Special & other	\$ 34,367,638	\$ 30,960,307
Total	\$ 874,704,150	\$ 897,056,042

Portfolio allocation at book value, June 30, 2024

Policy limitations are not limited for federal agency issuers.

Class	% Total	Policy limits
Supranational	2.44%	10%
Municipal Bonds	11.00%	15%
Corporate Notes	13.55%	30%
Certificate of Deposit	2.49%	30%
U.S. Treasury	6.12%	N/A
Mortgage-backed (Agency)	8.55%	N/A
Federal Investments	38.56%	N/A
Cash & Pooled Cash	17.30%	N/A
Totals	100.00%	

Investment changes by class, fiscal year 2023-24

This table presents the detail of investment changes, excluding cash and pooled cash, listed by class.

Class	6/30/2023	6/30/2024	Dollar change	Change
Certificate of Deposit	\$ 21,276,000	\$ 22,480,000	\$ 1,204,000	5.66%
Corporate Notes	\$ 157,005,000	\$ 122,990,000	\$(34,015,000)	-21.66%
Federal Agency	\$ 331,633,000	\$ 350,525,000	\$ 18,892,000	5.70%
U.S. Treasury	\$ 79,000,000	\$ 55,250,000	\$(23,750,000)	-30.06%
Supranational	\$ 19,440,000	\$ 21,890,000	\$ 2,450,000	12.60%
Municipal Bonds	\$ 69,555,000	\$ 101,745,000	\$ 32,190,000	46.28%
Mortgage-Backed (Agency)	\$ 35,665,124	\$ 77,147,892	\$ 41,482,768	116.31%
Total	\$ 748,595,716	\$ 752,027,892	\$ 38,453,768	5.39%

Class	Maturities	Calls	Buys
Certificate of Deposit	\$ 2,958,000	-	\$ 4,162,000
Corporate Notes	\$ 54,065,000	\$ 4,000,000	\$ 24,050,000
Federal Agency	\$ 57,253,000	\$ 2,500,000	\$ 78,645,000
U.S. Treasury	\$ 35,250,000	-	\$ 11,500,000
Supranational	\$ 5,000,000	-	\$ 7,450,000
Municipal Bonds	\$ 3,750,000	-	\$ 35,940,000
Pass Through Securities	\$ 5,617,595	-	\$ 47,100,364
Total	\$ 163,893,595	\$ 6,500,000	\$ 208,847,364

Portfolio yields, fiscal year 2023-24 and prior nine years

Month ending	Portfolio yield	Fiscal year	Portfolio yield	Treasury, 06/30		
				Six-month	Two-year	Five-year
07/31/23	2.23%	2014-15	1.09%	0.11%	0.64%	1.63%
08/31/23	2.39%	2015-16	1.16%	0.36%	0.58%	1.01%
09/30/23	2.33%	2016-17	1.25%	1.14%	1.38%	1.89%
10/31/23	2.35%	2017-18	1.57%	2.11%	2.52%	2.73%
11/30/23	2.44%	2018-19	1.96%	2.09%	1.75%	1.76%
12/31/23	2.49%	2019-20	1.69%	0.18%	0.16%	0.29%
01/31/24	2.58%	2020-21	1.17%	0.06%	0.25%	0.87%
02/28/24	2.63%	2021-22	1.28%	2.51%	2.92%	3.01%
03/31/24	2.65%	2022-23	2.22%	5.47%	4.87%	4.13%
04/30/24	2.77%	2023-24	2.88%	5.33%	4.71%	4.33%
05/31/24	2.83%					
06/30/24	2.88%					

Unrealized gain or loss, fiscal year 2023-24

Unrealized gain or loss is calculated by subtracting the market value from the book value. All calculations are performed at the end of each month.

Month	Unrealized gain or loss
Jul 2023	-4.97%
Aug 2023	-4.77%
Sep 2023	-4.99%
Oct 2023	-4.89%
Nov 2023	-4.05%
Dec 2023	-3.23%
Jan 2024	-2.95%
Feb 2024	-3.25%
Mar 2024	-3.16%
Apr 2024	-3.51%
May 2024	-3.07%
Jun 2024	-2.80%

Modified duration, fiscal year 2023-24

Month	Modified duration
Jul 2023	1.56
Aug 2023	1.52
Sep 2023	1.55
Oct 2023	1.54
Nov 2023	1.58
Dec 2023	1.58
Jan 2024	1.58
Feb 2024	1.60
Mar 2024	1.63
Apr 2024	1.56
May 2024	1.57
Jun 2024	1.59

Revenue from investments monthly, fiscal year 2023-24

Month	Income
Jul 2023	\$ 1,589,456
Aug 2023	\$ 1,631,044
Sep 2023	\$ 1,737,767
Oct 2023	\$ 1,999,700
Nov 2023	\$ 1,627,671
Dec 2023	\$ 1,538,391
Jan 2024	\$ 1,972,108
Feb 2024	\$ 1,915,023
Mar 2024	\$ 1,712,817
Apr 2024	\$ 2,117,256
May 2024	\$ 1,574,890
Jun 2024	\$ 1,785,272
Total	\$ 21,201,394

Revenue from investments by class and totals, fiscal year 2023-24 and prior nine years

Investment class	Cash income	Fiscal year	Cash income
Federal Agency	\$ 4,577,797	2014-15	\$ 7,864,801
Supranational	\$ 395,736	2015-16	\$ 8,678,630
Treasury	\$ 899,595	2016-17	\$ 9,286,187
Corporate Notes	\$ 3,860,367	2017-18	\$ 11,248,807
Certificate of Deposit	\$ 402,199	2018-19	\$ 14,837,963
MBS (agency)	\$ 1,474,944	2019-20	\$ 17,031,603
Municipal	\$ 1,883,436	2020-21	\$ 14,026,325
Cash & Pooled Cash	\$ 7,707,320	2021-22	\$ 12,047,464
Fiscal Year 2023-24 Total	\$ 21,201,394	2022-23	\$ 16,168,150
		2023-24	\$ 21,201,394

Liquidity by maturity period

Period, in months	Maturity value	Percentage
0-12	\$ 329,119,127	37.75%
13-24	\$ 175,006,096	20.07%
25-36	\$ 139,230,541	15.97%
37-48	\$ 107,936,095	12.38%
49-60	\$ 120,637,251	13.84%
Total	\$ 871,929,110	100.00%

Average maturity, fiscal year 2023-24

Month	Average maturity (years)
Jul 2023	1.74
Aug 2023	1.71
Sep 2023	1.75
Oct 2023	1.73
Nov 2023	1.77
Dec 2023	1.75
Jan 2024	1.78
Feb 2024	1.82
Mar 2024	1.90
Apr 2024	1.83
May 2024	1.83
Jun 2024	1.85

Cash inflows and outflows, fiscal year 2023-24

The city’s portfolio balance increased 2.56% from \$875 million to \$897 million in book value over the fiscal year. The increase of \$22 million does little to show the volume of cash that flows in and out of the portfolio during one fiscal year. The following table illustrates that the City Treasurer managed over \$1.40 billion of cash inflows and cash outflows which prompted investment decisions during fiscal year.

Cash inflows and outflows	
Investment calls	\$ 6,500,000
Investment maturities	\$ 163,893,595
Investment purchases	\$ 208,847,364
Interest income	\$ 7,707,320
CAMP investments	\$ 134,000,000
CAMP withdrawals	\$ 149,800,000
Overnight investments	\$ 369,710,612
Overnight withdrawals	\$ 363,497,612

ADDITIONAL RESOURCES

The Annual Report of Investments is a stand-alone report; however, additional documents are available for interested parties:

Investment Policy

The Investment Policy is approved by City Council and governs investment management.

Included are topics such as:

- Investing objectives
- Authorized investments
- Limitations
- Review and reporting

The Investment Policy can be found on the City of Carlsbad City Treasurer website at:

<https://www.carlsbadca.gov/city-hall/other-elected-officials/city-treasurer>

Monthly investment reports

Monthly investment reports are presented to City Council and provide an in-depth status on the full portfolio on a routine basis. These reports include aspects such as:

- Current period maturities, calls, and purchases
- Detail listing of investments
- Investment ratings and outlooks
- Portfolio allocation by issuer

The monthly investment reports can be found on the City of Carlsbad City Treasurer website at:

<https://www.carlsbadca.gov/city-hall/other-elected-officials/city-treasurer>

Contacts

We are available for questions or comments on any Treasurer report or function:

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