



Agenda Report

Fullerton City Council

MEETING DATE: MAY 5, 2026

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: STEVEN AVALOS, INTERIM DIRECTOR OF ADMINISTRATIVE SERVICES

PREPARED BY: STEVEN AVALOS, INTERIM DIRECTOR OF ADMINISTRATIVE SERVICES
NOAH HYUN, ADMINISTRATIVE ANALYST I

SUBJECT: TREASURER'S REPORT FOR QUARTER ENDED MARCH 31, 2026 AND CITY INVESTMENT POLICY UPDATE

SUMMARY

Staff presents the Treasurer's Report for Fiscal Year 2025-26 Third Quarter (Q3) ended March 31, 2026 and City Investment Policy updates for City Council consideration.

PROPOSED MOTION

1. Receive and file Treasurer's Report for Fiscal Year 2025-26 Third Quarter (Q3) ended March 31, 2026.
2. Approve City Investment Policy updates.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

None.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

The City's operating portfolio ended with investments totaling \$191.41 million for quarter ending March 31, 2026. The market yield equaled 4.190% on March 31, 2026 and accrued interest income earned for the quarter totaled \$1,707,483.06. The City of Fullerton bases investment practices and policies on state law, prudent money management and the Statement of Investment Policy, which staff presents with updates for City Council approval in the Q3 Treasurer's report. Staff will use the information provided in this report to ensure continued oversight over idle funds and cash investments.

BACKGROUND AND DISCUSSION

The City financial and treasury policies direct the City Treasurer / Director of Administrative Services to provide quarterly treasurer's reports to City Council and the Investment Advisory Committee (IAC) to review the temporary idle funds and cash across all City funds investment portfolio. IAC reviewed the Investment Report for Fiscal Year 2025-26 Q3 ended March 31, 2026 on April 16, 2026. Staff presents the report to City Council for review.

The City operating portfolio ended the quarter with investments totaling \$191.41 million including:

- \$71.37 million in the State's Local Agency Investment Fund and a Local Government Investment Pool
- \$103.90 million in U.S. Treasury Notes
- \$12.24 million in corporate notes
- \$2.72 million in money market funds
- \$1.18 million in municipal bonds
- \$0.007 million cash.

The market yield equaled 4.190% on March 31, 2026 and the accrued interest income for the quarter totaled \$1,707,483.06.

Cash balances attributable to various City Funds comprise the temporarily idle cash invested in these portfolios. The invested cash is not discretionary and restricted to support each Funds' purpose and not transferable between Funds. The City collectively invests and draws upon these funds to maintain cashflow for day-to-day operations and working capital as needed. The City of Fullerton bases investment practices and policies on state law, prudent money management and the Statement of Investment Policy with the following primary goals:

- protect the principal monies entrusted to the City Treasurer
- comply with all federal, state and local laws governing public fund investments under City Treasurer control
- achieve a reasonable rate of return within prudent risk management parameters while minimizing the potential for capital losses arising from market changes or issuer default.

The City Treasurer controls all investable funds including, but not limited to, the General Fund, Special Revenue funds, Debt Service funds, Capital Project funds, Enterprise funds and Trust and Successor Agency funds in the City Annual Comprehensive Financial Report. The City consolidates cash and reserve balances from all funds to maximize investment earnings and increase efficiencies for investment pricing, safekeeping and administration, except for cash in certain restricted and special funds.

The City strives to achieve a nominal yield above set benchmarks per the Investment Policy and allocates investment income to the various funds based on respective participation and in accordance with generally accepted accounting principles.

Update to City Investment Policy

City staff presented the proposed City Investment Policy changes to the Investment Advisory Committee on April 16, 2026 in collaboration with Chandler Asset Management, the City Investment Services Manager. The IAC reviewed the Proposed Investment Policy, posed questions to staff and Investment Advisor and unanimously approved the Policy for City Council consideration. The primary changes made to the policy better align with updated state law, California Government Code and best industry investment practices recommended by the California Debt and Investment Advisory Commission (CDIAC) as well as provide administrative flexibility to the City policy for future policy updates. The following outlines the proposed policy changes:

Updates to Section 9D extend the prime Commercial Paper maximum maturity from 270 days to 397 days. This update puts the City in compliance with Senate Bill 595 by limiting commercial paper investments to no more than 40% of the total portfolio if agency investment assets under management total greater than \$100,000,000. The provision sunsets on January 1, 2031.

Updates to Section 9G establish more Local Government Investment Pools (LGIP) clarity and refinement by providing code section citations, requirements and limitations. The changes provide more clarification on Local Agency Investment Fund (LAIF) eligibility by confirming the maximum allowable limit and explicitly stating that LAIF remains an allowable investment even if it holds instruments not listed in the City's policy, if reporting transparency allows risk evaluation.

Updates to Section 12 strengthen the City approach to managing credit and market risk by reinforcing diversification requirements, establishing a 5% limit per issuer and formalizing monitoring and reporting downgraded securities procedures. It strengthens market risk controls by requiring six months of liquidity, maintaining a five-year maturity limit and aligning portfolio duration with a benchmark.

The remaining administrative updates would align the policy with best practices from the California Debt and Investment Advisory Commission (CDIAC), California Municipal Treasurer's Association (CMTA) and Government Finance Officers Association (GFOA).

Attachments:

- Attachment 1 – Quarterly Investment Report for Quarter Ended March 31, 2026.
- Attachment 2 – Proposed 2026 Investment Policy Update
- Attachment 3 – Redlined Investment Policy

cc: City Manager Eddie Manfro