



# STAFF REPORT

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March 2, 2022  
File Number 0490-60

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## SUBJECT

### TREASURER'S INVESTMENT STRATEGY CHANGE -

## DEPARTMENT

City Treasurer

## RECOMMENDATION

Request the City Council adopt Resolution No. 2022-42 authorizing the City Treasurer to terminate the investment contract with PFM and approve the budget adjustment for investment software in the amount of \$7,000.

Staff Recommendation: Approval (City Treasurer: Douglas Shultz)

Presenter: Douglas Shultz

## BACKGROUND

Since Douglas Shultz was elected in 2016:

- The City's Investment Policy has been completely redone to update an outdated investment policy.
- We received The California Municipal's Treasurer association award for the revised policy
- PFM hired as a portfolio manager to help manage the funds in 2019
  - Moved out of highly concentrated investment positions
    - Prior to being elected, the City of Escondido's bond portfolio had a high concentration of Fannie Mae and Freddie Mac bonds which posed unsystematic risk to the portfolio.
  - Anticipated down cycle in the market. As a fiduciary, it was prudent to bring on a team to manage the portfolio and make drastic changes. We received nothing short of a market down cycle in March of 2020 and all of the City's funds were kept safe.

## PROPOSAL

The current economic data suggests that we could be in a cyclical bull market for the next 8-10 years. As reported last year by the finance department, the City had a large surplus of tax revenue. If tax revenue's stay elevated or increase in the coming years our portfolio will increase and in conjunction, the fee's we pay PFM. It will be difficult for PFM to outperform the market in any meaningful way in a low interest rate



# CITY *of* ESCONDIDO

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environment. By utilizing more sophisticated software we can streamline the reconciliation process and forgo the fee's we paid PFM by bringing the investment management back in house.

### RESOLUTIONS

- a. Resolution No. 2022-42

### ATTACHMENTS

- a. Attachment "1" – Budget Adjustment