



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of October 10, 2022

Title/Subject

1st Quarter FY2023 Investment Report

Summary and Background

The first quarter of FY2023 was a bit rough, as the Federal Reserve remained steadfast with their comments that there will be economic pain in the coming months and that their plan is to keep rates higher for longer. Their Fed funds target is in the range of 4.5%, but there are many pundits who believe that will not happen due to extreme weakness in the economy.

The LGIP rate is now at 1.90%, an increase of 75 basis points from the 4th quarter rate of FY2022. It is expected there will be continued rate increases in the 2nd and 3rd quarters of FY2023.

As mentioned in the last quarterly investment report, we were watching for opportunities for “swaps” in this market and this past quarter saw such an opportunity come to pass. We swapped a \$500,000 Federal Agricultural Mortgage Corp (“FarmerMac”) bond at 1.63 coupon for three bonds issued by Shell International for \$100k @ 3.25%, the Federal Home Loan Bank (“FHLB”) for \$200,000 @ 3.25% and \$200,000 @ 4.0% respectively, with maturities of 10/24/2023, 6/30/2027 and 7/27/2027.

There was one maturity this quarter for \$75,000 (Oceanside CA Municipal Bond) and with those funds and cash on hand we invested in another FHLB bond for \$100k @ 4.15%, maturing 9/20/2024.

There is a good probability our JP Morgan bond (\$200k with a floating rate that is going up and maturing 10/24/2023) will be called in the next 45 to 60 days. This would provide yet another opportunity to re-invest at favorable rates.

The portfolio does not have any maturities until April 1 of 2023 (a municipal bond for \$75,000.)

Tie-In to Council Goals

Fiscal Prudence

Fiscal Information

None

Alternatives and Recommendation

Alternatives

NONE

Recommended Action/Motion

Accept the 1st Quarter FY2023 Investment Report as presented.

Submitted By:

Mark Krawczyk