



Date: Tuesday, May 13, 2025

Honorable Mayor and Council Members

Author and title: Nicole Casey, Administrative Services Director with assistance from Steve Conway, Retired Annuitant

Title: **Accept the Quarter ended March 31, 2025 Treasurer's Report**

Jen Callaway, Town Manager

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**Recommended Action:** That Council accepts the Treasurer's report for the quarter ended March 31, 2025.

**Summary:** Overall, for the quarter ending March 31, 2025, the Town's portfolio had an interest or yield-to-maturity rate of 4.11%. This represents a small decrease from the prior quarter's rate of 4.16%.

The return the Town receives on LAIF decreased from 4.43% in December 2024 to 4.31% in March 2025. The return (average market yield) on the Town's investments managed by Chandler Asset Management (CAM) decreased from 4.40% in December 2024 to 4.20% in March 2025.

Overall, the Town earned \$716,048 in interest on its holdings in LAIF for the quarter ending March 31, 2025, which LAIF credited to the Town's account in April. This is up from \$690,177 earned for the quarter ending December 31, 2024. The Town received \$363,378 in interest on its holdings in CAM. This is the first quarter that the Town has reported this figure, therefore no comparison is available.

**Discussion:** The Town of Truckee manages cash from more than 50 individual accounting funds by pooling the resources into a few centralized bank accounts. This means that funds accounted for in the General Fund, Building and Safety Fund, Measure V Fund, and others are collectively deposited and maintained within a consolidated set of financial accounts. Although physically combined, the Town's financial and accounting system ensures each fund's cash position is accurately tracked and reported.

### **Benefits of Cash Pooling**

Pooling the Town's cash offers several administrative and financial advantages:

- Reduced banking fees through fewer accounts.
- Streamlined management by simplifying the oversight of cash flow and account balances.
- Operational efficiency, as staff do not need to monitor or reconcile multiple separate bank accounts.

Interest earnings generated on the pooled cash—whether from investments or savings—are allocated back to the respective accounting funds. This allocation is done quarterly, based on each fund's average monthly cash balance during the period.

### **Types of Pooled Accounts**

The Town currently operates three primary types of pooled cash accounts:

- **Operating Accounts:** These include the Town's checking accounts and petty cash funds, which serve as the main channels for cash inflows and outflows.
- **Savings via the Local Agency Investment Fund (LAIF):** Surplus funds from operating accounts are transferred to LAIF, a low-risk and highly liquid investment vehicle managed by the California State Treasurer.
- **Investment Portfolio:** Additional cash reserves are strategically invested to support the Town's financial goals, based on investment policy and market conditions.

## **LAIF Participation**

The Town's participation in LAIF enhances financial flexibility and security. LAIF is available exclusively to public agencies and pools resources statewide, much like the Town's internal fund pooling system. Investment decisions for LAIF funds are made by the California State Treasurer's Office and its investment division, ensuring prudent and professional oversight.

As of March 2025, the total value of the State of California's Local Agency Investment Fund (LAIF) pool was approximately \$22.7 billion, with the Town of Truckee holding \$67.0 million in the pooled account. Investment earnings generated by the LAIF pool are distributed among participating public agencies based on each entity's proportionate share of the total pool value.

The pooled investment model provides important benefits, particularly risk mitigation. Because LAIF operates as a pooled investment fund, individual participants—including the Town—are shielded from bearing specific investment losses, as risks are absorbed collectively. However, this conservative approach may also result in lower potential returns compared to more actively managed or customized investment strategies.

## **Why Pooled Returns May Be Lower**

The nature of LAIF's pooled investment strategy can dampen returns during periods of increased fund inflows and market volatility. For example, prior to the COVID-19 pandemic, LAIF yielded interest rates of approximately 2%. During the pandemic, public agencies shifted significant amounts of capital into LAIF to safeguard principal value amid widespread market uncertainty. In response, LAIF purchased additional investments to accommodate the influx of funds. However, those new investments were made during a low-interest-rate environment, resulting in lower overall returns compared to pre-pandemic holdings.

Because the LAIF portfolio is pooled, all participants—regardless of when they contributed funds—share equally in the pool's average yield. This led to a decrease in interest earnings for all participants, including the Town. Nonetheless, LAIF yields have recovered in recent years, rebounding from the lower returns experienced during the pandemic.

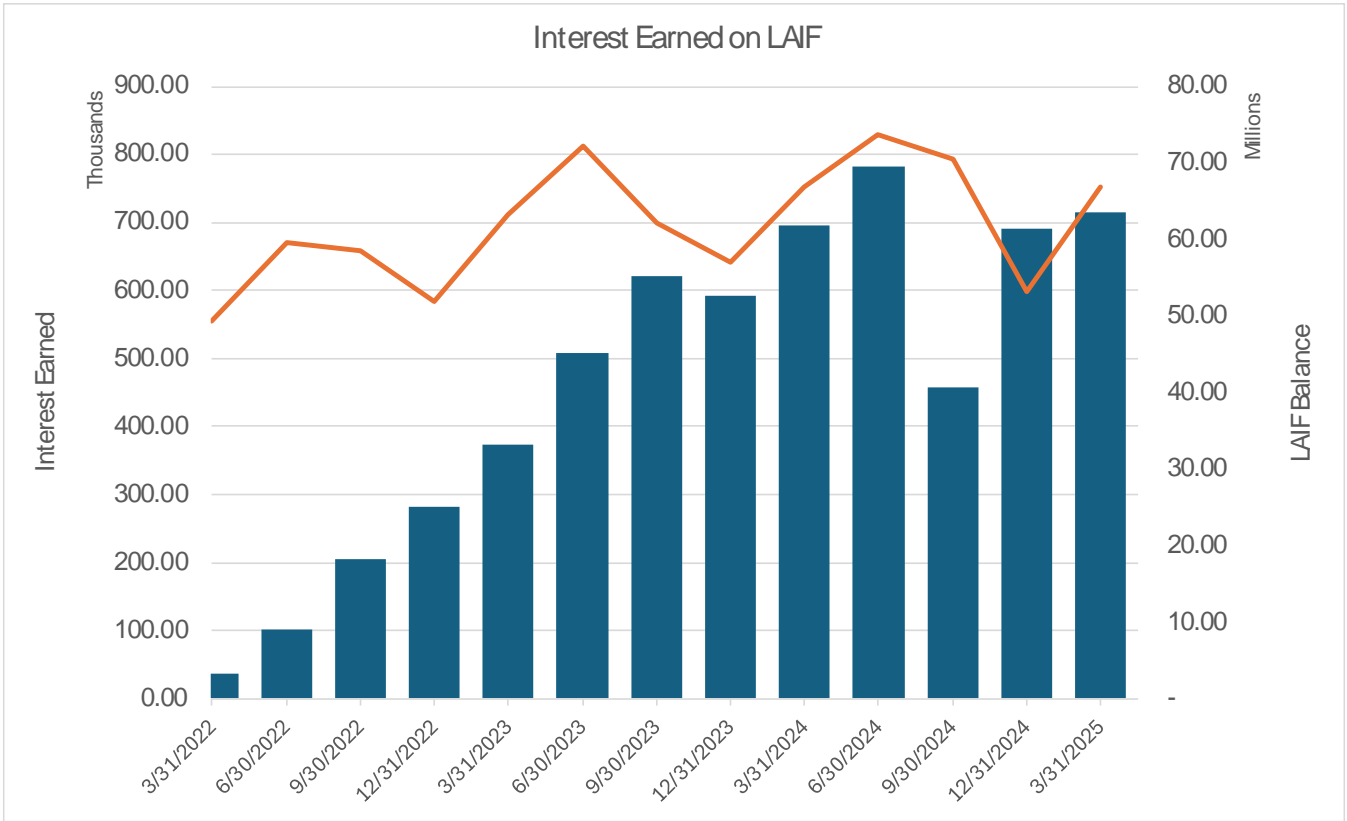
## **Recent Town Investment Earnings in LAIF**

For the quarter ending March 31, 2025, the Town earned \$716,048 in interest from its LAIF balance. This interest will be reflected in the April 30, 2025 LAIF statement, as LAIF allocates quarterly interest earnings in the month following the quarter's close.

In the first nine months of fiscal year 2024/25, the Town has earned \$2.3 million in LAIF interest, surpassing the \$1.9 million earned during the entire fiscal year 2023/24. Of the \$2.3 million earned to

date, \$1.0 million was allocated to the General Fund, with the remainder distributed to the Town's other accounting funds based on their average monthly balances.

Figure 1 Shows Interest Earned by Quarter against the Quarterly Ending LAIF balance



**Chandler Asset Management Participation**

The Town's investment portfolio is professionally managed by Chandler Asset Management (CAM), in strict accordance with the Town's adopted Investment Policy. This policy is reviewed, updated, and adopted annually by the Town Council each spring to ensure compliance with best practices and applicable legal requirements.

All investment decisions are governed not only by the Town's internal policy but also by California state laws, which place important restrictions on public agency investments to safeguard public funds. These restrictions are designed to minimize exposure to risk and emphasize the primary objectives of:

- 1. Preservation of principal
- 2. Maintenance of sufficient liquidity

These two objectives must be met before the Town pursues prudent generation of investment income. The Town's investment strategy prioritizes protecting the value of public funds while achieving a reasonable return and ensuring that cash is available to meet ongoing operational needs.

**Trustee Bond Funds and Bond Reserve Requirements**

In addition to pooled cash and investment balances, the Town Treasurer's Report includes the balance of the Trustee Bond Funds, which represent funds held in accordance with the covenants of the Town's 2019 Bond Issuance. The majority of these funds are maintained in a bond reserve account, serving as a financial safeguard in lieu of purchasing bond insurance.

When public agencies issue bonds, the bond covenants typically require a risk mitigation mechanism to protect bondholders in the event of a payment default. This can be satisfied either by:

- Purchasing bond insurance, or
- Maintaining a cash reserve equal to a designated percentage of the outstanding bond obligation.

The selection between insurance and a cash reserve is made at the time of issuance and is influenced by a range of factors, including the Town's creditworthiness and the preferences of prospective bond investors.

The Town of Truckee holds a strong credit rating of AA+, the second-highest rating available, which reduces the required reserve amount and increases investor confidence. This rating is a reflection of the Town's sound financial management and stable economic outlook.

For the 2019 Bond Issuance, the Town elected to pursue the cash reserve model, setting aside funds to fulfill the reserve requirement. These Trustee Bond Funds are restricted for the life of the bond issuance and cannot be used for general operations until the bonds are fully retired.

The associated bonds are scheduled for retirement in 2039, at which time any remaining reserve funds may be:

- Used to make final bond payments, or
- Released for general use, subject to applicable legal and financial requirements.

### **Portfolio Performance and Transparency**

For the first nine months of fiscal year 2024/25, the Town's total investment portfolio—including both pooled funds in LAIF and non-pooled funds managed by CAM—has earned approximately \$3.2 million in total interest income, of which it received \$2.3 million to date.

This interest income is now reported as part of expanded financial disclosure efforts and is in addition to the regular monthly investment reports provided by Chandler Asset Management. This enhanced reporting provides the Town Council and the public with a more comprehensive understanding of the Town's overall investment performance and financial stewardship.

### **Priority:**

<input checked="" type="checkbox"/>	Enhanced Communication	<input type="checkbox"/>	Climate and Greenhouse Gas Reduction	<input type="checkbox"/>	Housing
<input type="checkbox"/>	Infrastructure Investment	<input type="checkbox"/>	Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/>	Core Service

### **Attachments:**

Attachment A: Treasurer's Report for the Quarter ending March 31, 2025

Attachment B: Chandler Asset Management (CAM) Investment Portfolio Transactions January - March 2025 & Statements March 31, 2025

Attachment C: Town of Truckee Schedule of Investments March 31, 2025

Attachment D: LAIF Performance Report Quarter Ended March 31, 2025