



CITY COUNCIL
Staff Report

Meeting Date: Dec. 5, 2023

To: Mayor and City Council

From: Scott Chadwick, City Manager

Staff Contact: Craig Lindholm, City Treasurer
craig.lindholm@carlsbadca.gov, 442-339-2473

Subject: Annual Report of Investments for Fiscal Year 2022-23

Districts: All

Recommended Action

Accept and file Annual Report of Investments for Fiscal Year 2022-23.

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 a discussion on the global and domestic financial environment, the market position that affects the city's investment strategy, portfolio standings and various portfolio analyses for the fiscal year 2022-23.

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, its face value, also known as the nominal value; and the book value, the value that is entered in the city records, which is driven by interest earned, loan payments received and revenues in excess of expenses.

- The city's investment portfolio increased \$27.6 million in par value from the previous fiscal year.
- The book value increased \$22.5 million from the previous fiscal year.

Second to safety is liquidity. The City Treasurer monitors and maintains the portfolio below the maximum maturity limits and the maximum modified duration limits in the city's investment policy. (Modified duration reflects the price sensitivity to changes in interest rates.) The maximum maturity limit is calculated to be cash and maturities equal to at least two-thirds of the approved operating budget. Under the city's investment policy, the city does not hold securities for more than five years.

The report shows:

- During the fiscal year, the treasurer monitored and maintained not less than \$318.9 million in investments maturing within one year, as well as the investments maturing within five years.
- The modified duration was 1.55 as of the close of the fiscal year, well below the maximum allowed duration of 2.2. The City Treasurer remained within the limits of the modified duration restrictions throughout the year. This maintains liquidity to ensure that operational needs will be met and avoids circumstances that could result in selling at a loss.

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

- Fiscal year 2022-23 started off with a monthly portfolio yield of 1.37% and ended the year with a portfolio yield of 2.22%, for an average yield of 1.86%.
- The market value of the investment portfolio increased \$9.4 million in 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. Intentionally, the value of investment maturities and calls – when the holder of a security calls back the loan before it matures – outweighed investment purchases during the fiscal year yielding a net decrease in investments by 4.68%. The resulting cash was reinvested in overnight pooled cash to take advantage of a steep increase in short-term investment rates to earn a higher return. This strategy resulted in an increase in interest earnings of 34.2% over the previous fiscal year, which represents over \$4 million in revenue.

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

Next Steps

The 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.

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 Ended June 30, 2023

City Treasurer's Annual Report of Investments

FISCAL YEAR 2022-23



CITY
TRESURER | ANNUAL
REPORT OF
INVESTMENTS

FISCAL YEAR 2022-23

CRAIG LINDHOLM
CITY TREASURER
DEC. 5, 2023



TABLE OF CONTENTS

INTRODUCTION

City Treasurer letter of transmittal.....	5
Fiscal year 2022-23 quick look.....	6

MARKET REVIEW

Federal funds target rate.....	8
Short-term interest rates.....	10
Market yield curve.....	11

PORTFOLIO OVERVIEW

Portfolio total assets.....	13
Sources of portfolio.....	15
Allocation of portfolio.....	16

PORTFOLIO ANALYSIS

Portfolio yield.....	19
Maturity & modified duration.....	22
Interest income.....	24

APPENDICES

Risk management disclosures.....	27
Data tables.....	30
Additional resources.....	37

INTRODUCTION

CITY TREASURER LETTER OF TRANSMITTAL

Fiscal Year 2022-23 Annual Report of Investments

Dec. 05, 2023

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 2022-23 which ended June 30, 2023. 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 2022-23. 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 watched for trends and evaluated prior to all investing decisions.

Sincerely,



Craig J. Lindholm,
City Treasurer

FISCAL YEAR 2022-23 QUICK LOOK

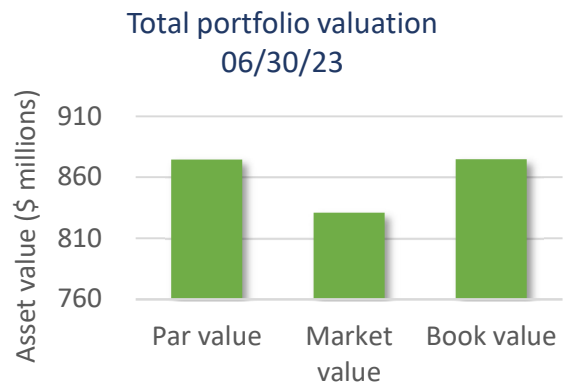
Market review

- Federal funds target rate: 5.25%; fiscal year increase of 3.50%
- Two-year U.S. Treasury: 4.87%; fiscal year increase of 2.03%



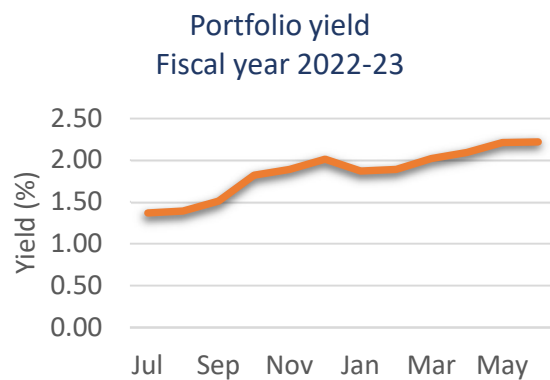
Portfolio overview

- Total portfolio value at par value: \$874,350,106
- Total portfolio fiscal year increase: \$27,576,773
- Federal Agencies represent 37.9% of all investments



Portfolio analysis

- Portfolio yield as of 06/30/23: 2.22%
- Portfolio interest for the fiscal year: \$16,168,150
- Average maturity as of 06/30/23: 1.73 years

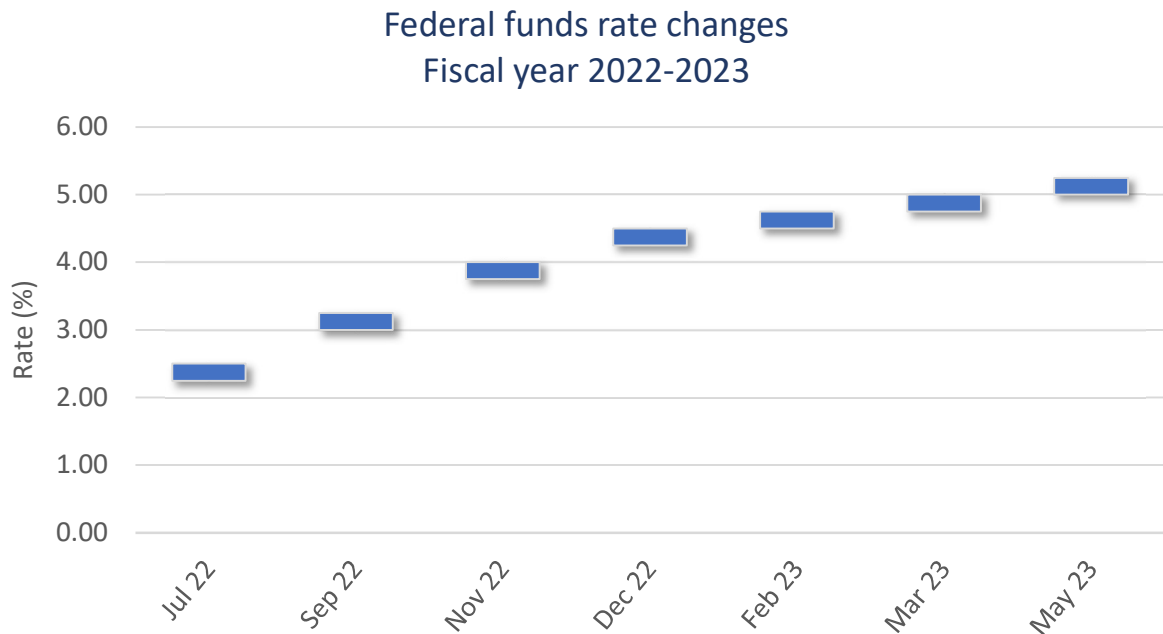


MARKET REVIEW

FEDERAL FUNDS TARGET RATE

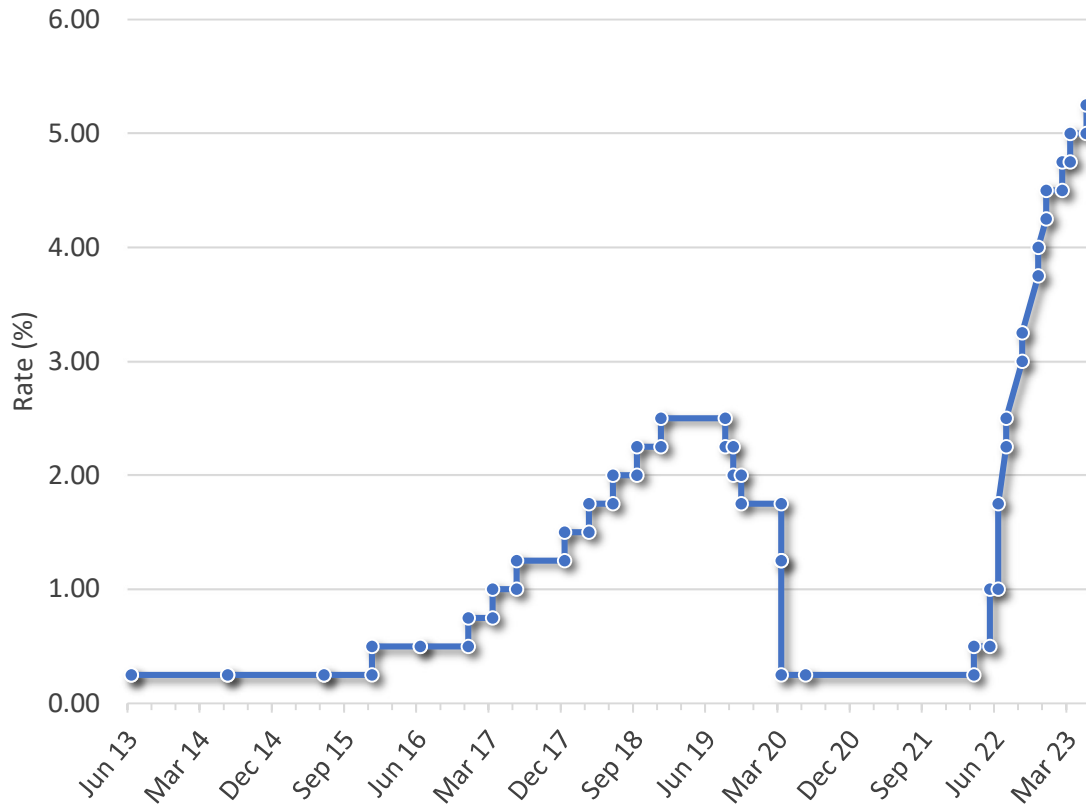
The federal funds target rate is considered one of the most important interest rates in the U.S. economy. It is a key money market rate that correlates with rates of other short-term credit arrangements. It is the interest rate that banks charge each other for overnight loans and influences many aspects 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. The Federal Reserve began raising rates in 2022 and has continued to raise rates throughout 2023 to slow the rate of inflation.

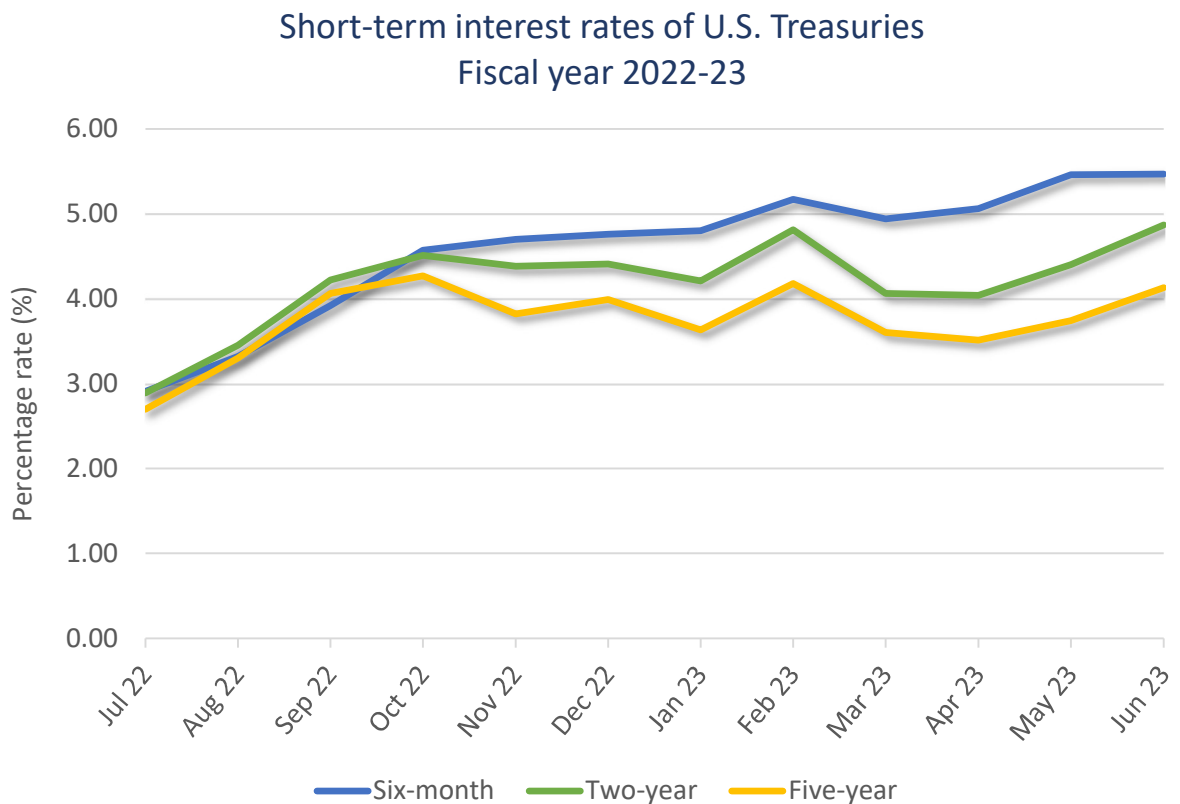
Federal funds rate Fiscal year 2022-23 and prior nine years



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 growth rate. Rates lowered in 2020 and 2021 as a result of the COVID-19 pandemic, but with inflation on the rise since 2022, rates have been steadily increasing over 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 to move. Changes in short-term market interest rates are usually affected by the actions of the Federal Reserve.

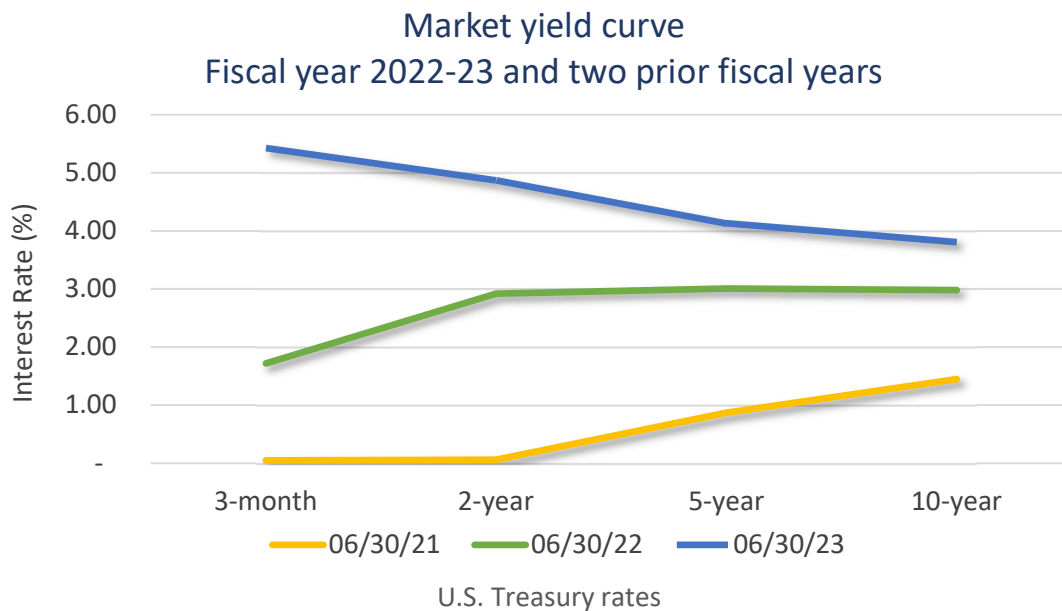


Short-term interest rates in the three exhibited trends of five-year market, two-year market, and six-month market had substantial increases during the fiscal year, measured from July 1, 2022 to June 30, 2023:

- Six-month: increase of 2.95%, from 2.52% to 5.47%
- Two-year: increase of 2.03%, from 2.84% to 4.87%
- Five-year: increase of 1.25%, from 2.88% to 4.13%

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 is showing 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.

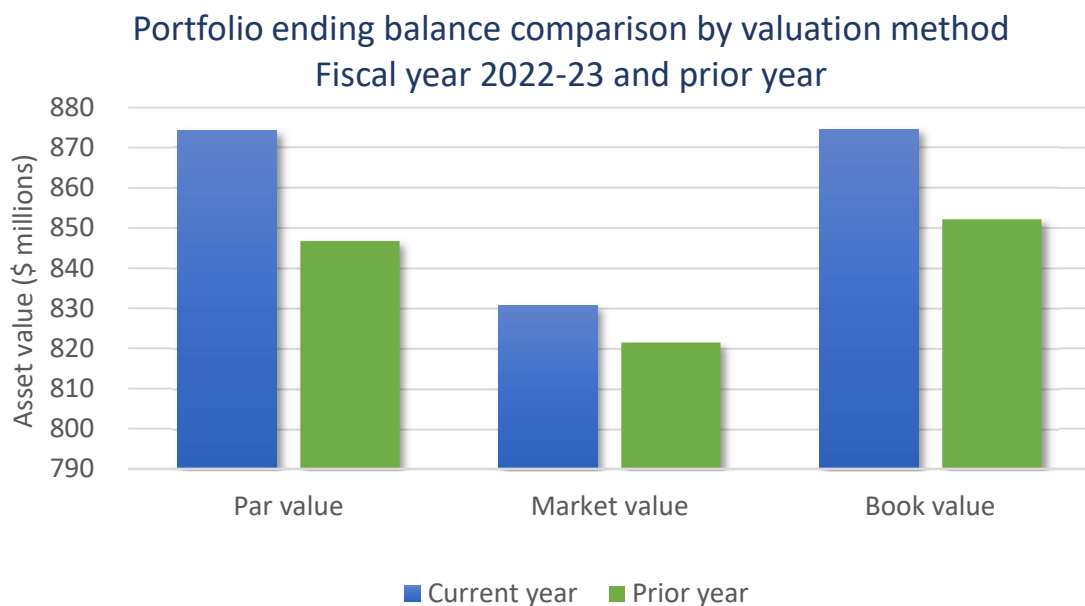
The City Treasurer maintains a mixture of liquid assets and longer-term investments which allows benefits of higher short-term interest rates and security against economic uncertainty.

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: \$874,350,106, increase of 3.26% over prior year.
- Market value: \$830,832,607, increase of 1.14% over prior year.
- Book value: \$874,704,150, increase of 2.64% 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:

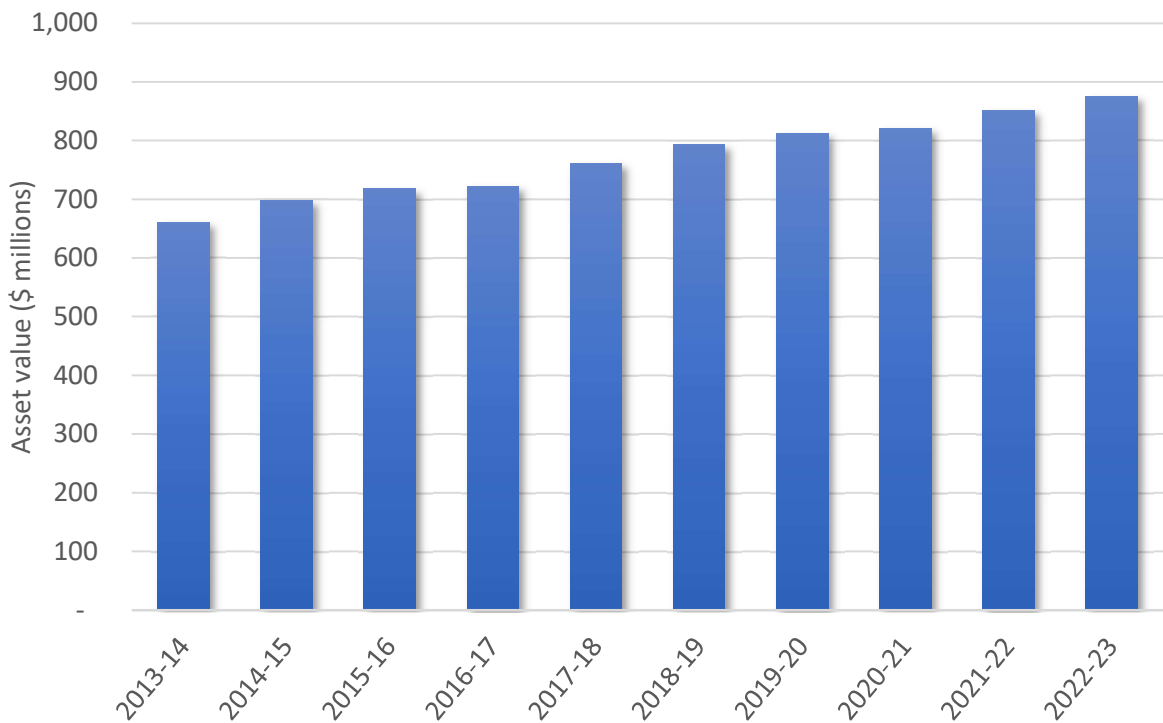
- Interest incurred
- Expenses in excess of revenues

Key portfolio changes at par value during fiscal year 2022-23:

- Maturities: \$132,122,591
- Calls: \$3,000,000
- Buys: \$100,100,999

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.

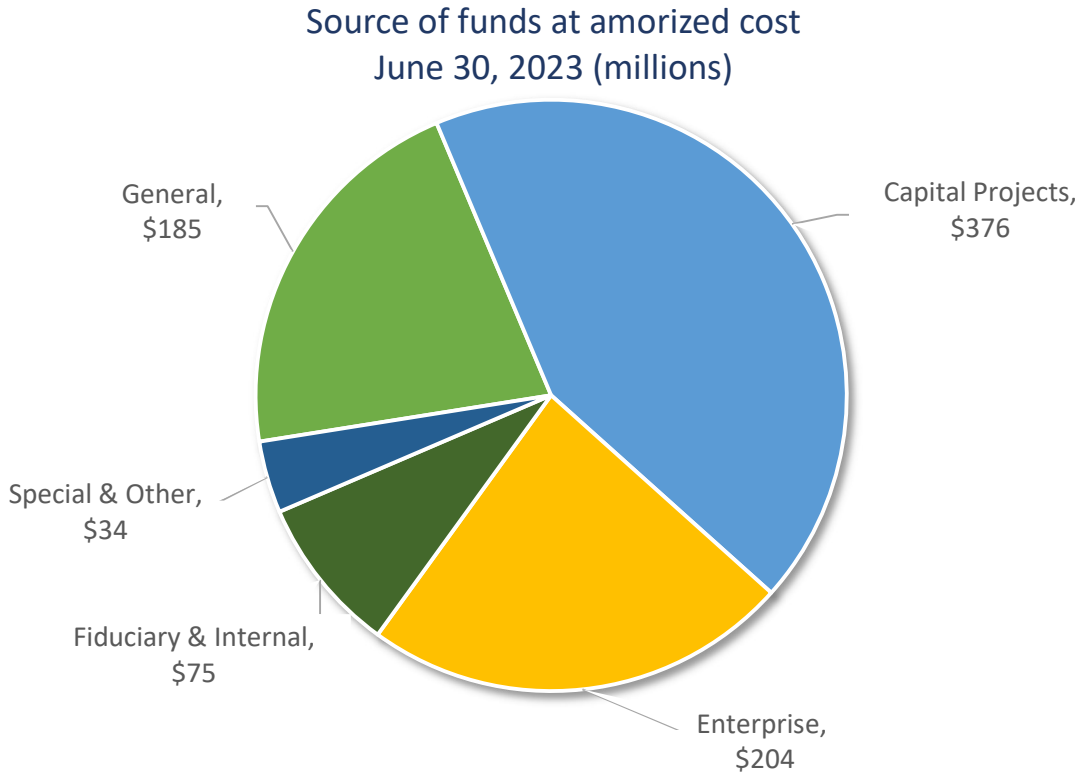
Total portfolio value at amortized cost
Fiscal year 2022-23 and prior nine years



Total portfolio value has increased year after year. The last ten years have seen an increase of 32.83%. This represents a cash value of \$216,122,632. 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

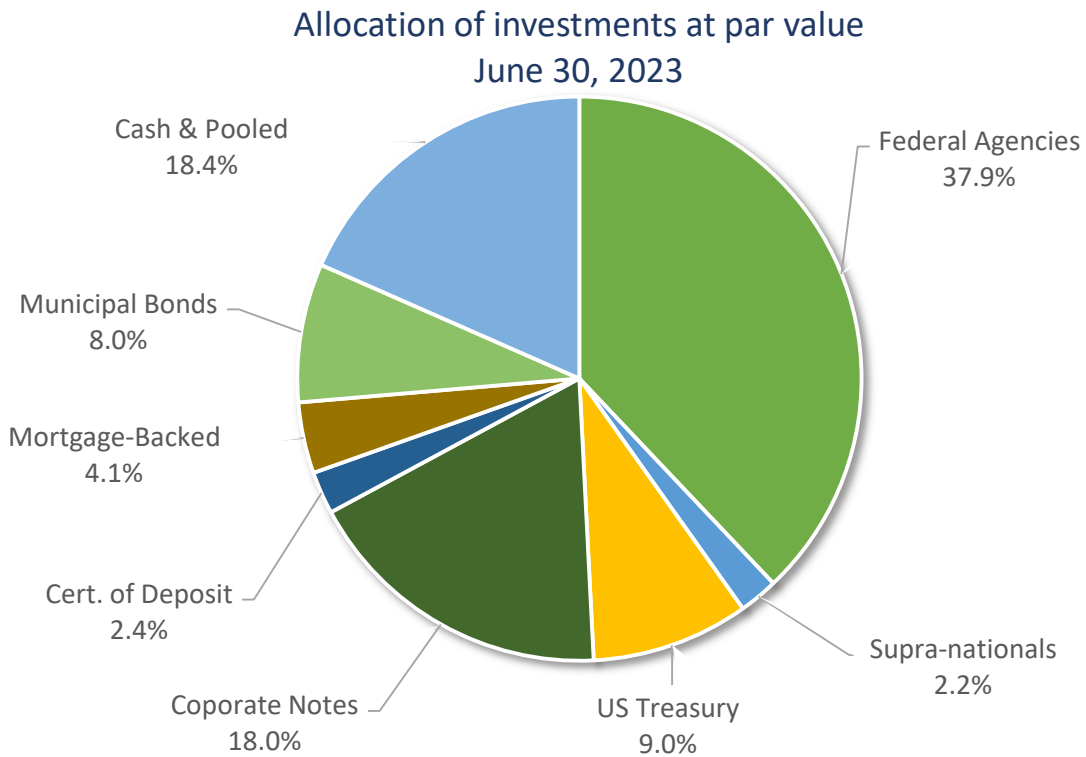
The portfolio is an internal investment pool that invests the available cash from various funds of all city agencies, city owned and fiduciary assets.



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.

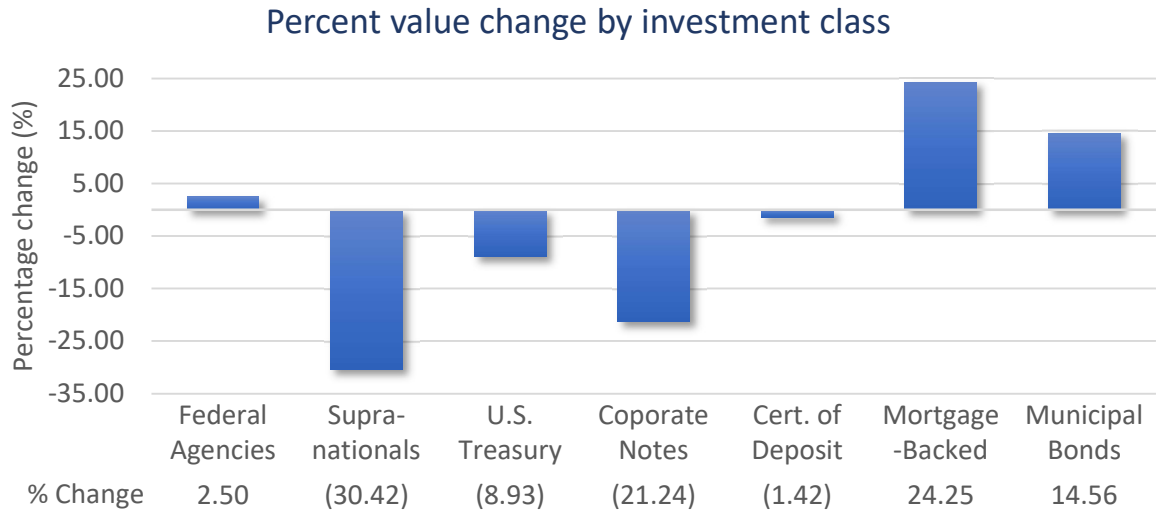


Federal agencies make up 37.93% of the total investment portfolio. Provided below is the breakout of issuers within the federal agency category as of June 30, 2023:

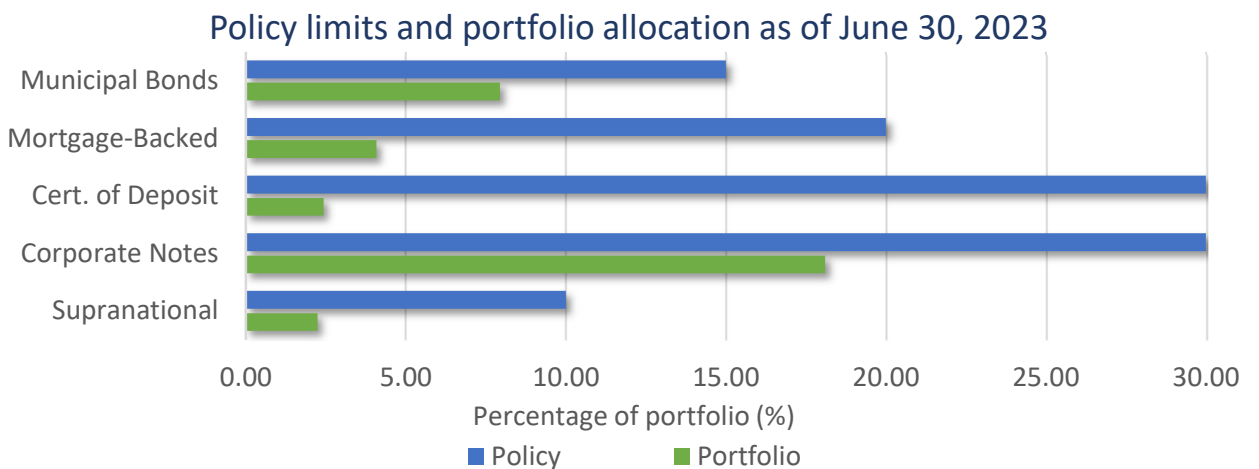
Federal agency breakdown by percentage of total portfolio at par value

Federal Farm Credit Bank	11.34%
Federal Home Loan Bank	13.93%
Federal Home Loan Mortgage Corporation	5.39%
Federal National Mortgage Association	4.51%
Federal Agricultural Mortgage Corporation	2.65%
Tennessee Valley Authority	0.11%
Total	37.93%

Fiscal year 2022-23 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.

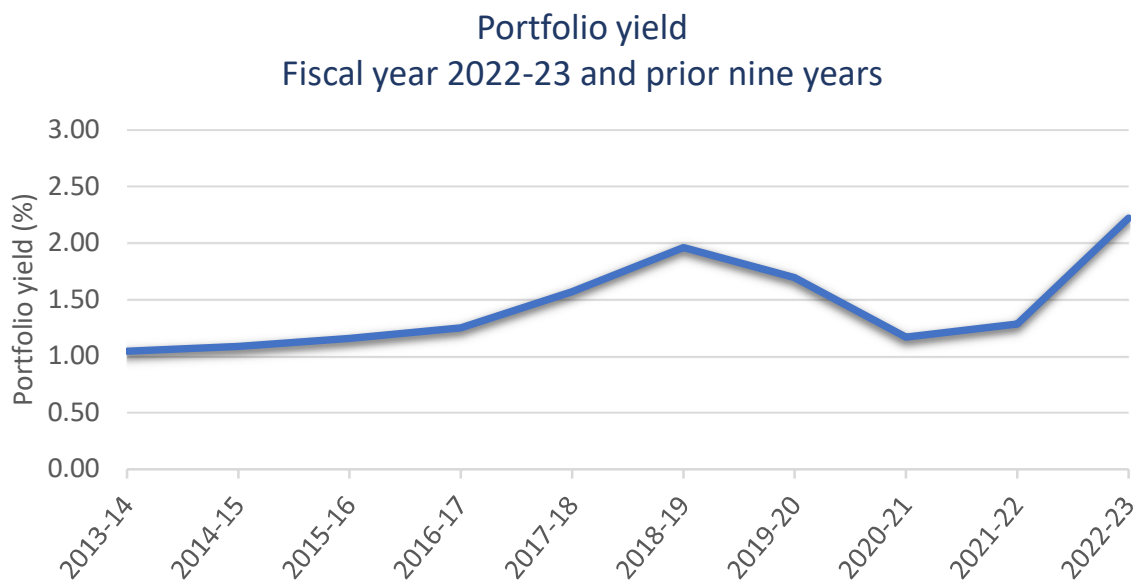
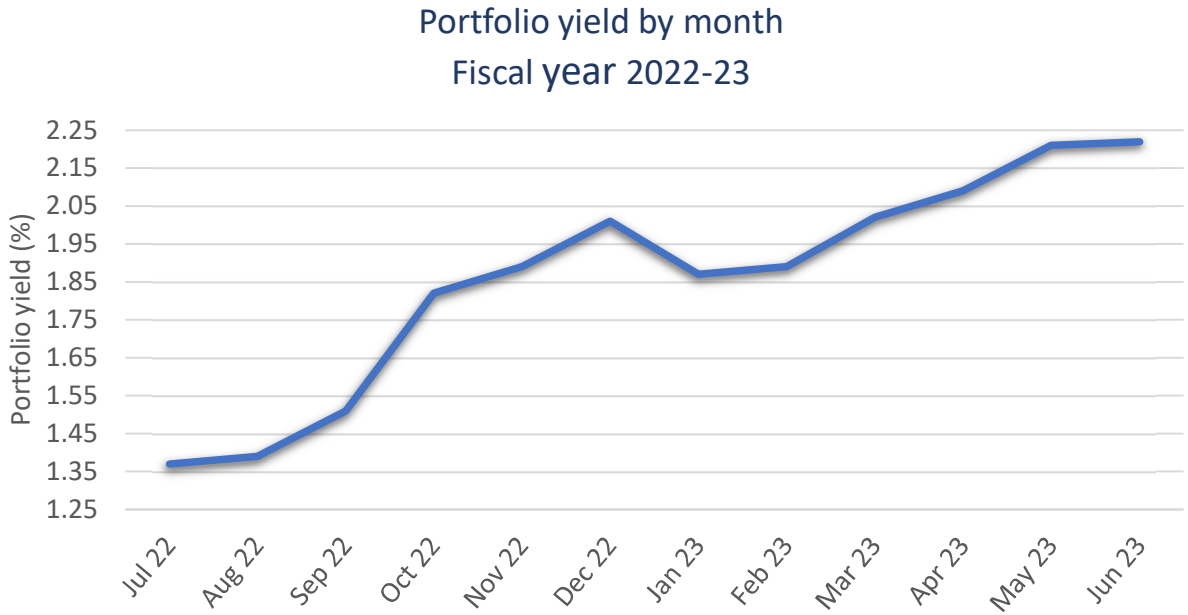


Certain investment types are restricted by the City of Carlsbad Investment Policy, for the purpose of balanced allocation. All investments are well under the policy limitations allowing for continued purchases of the best-fit investments.

PORTFOLIO ANALYSIS

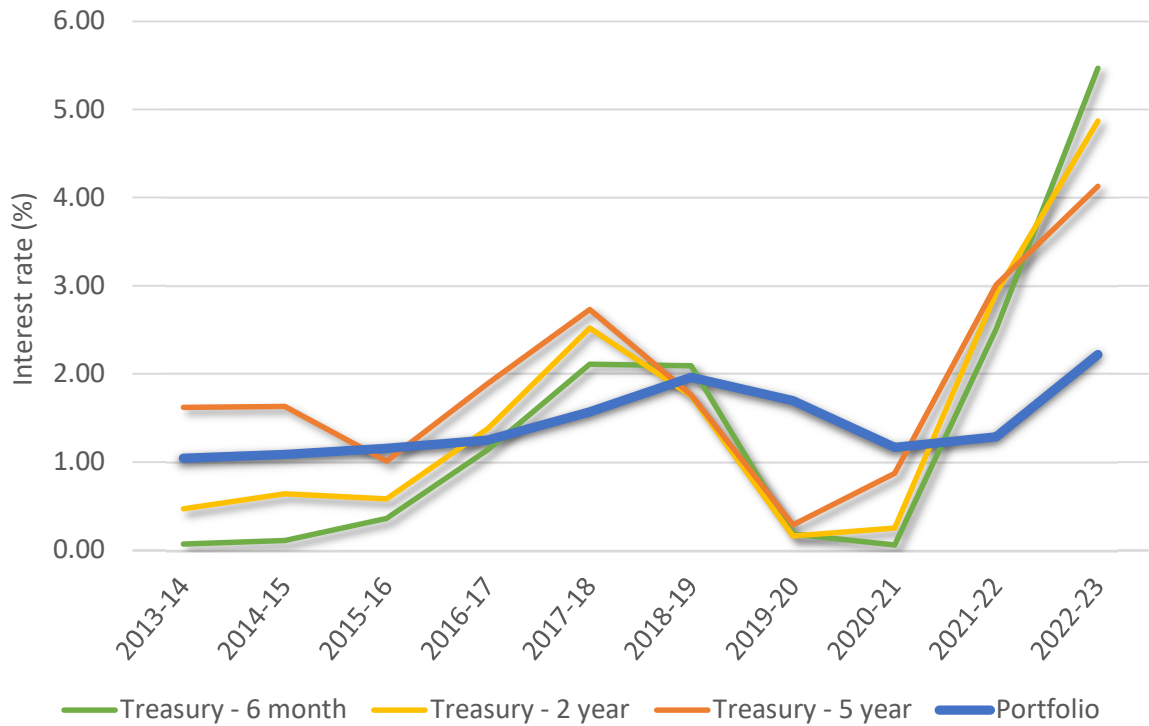
PORTFOLIO YIELD

The average return of the portfolio increased 0.94 percentage points during the current fiscal year from 1.28% for fiscal year 2021-22 to 2.22% for fiscal year 2022-23.



The current year has shown a portfolio yield increase of 0.94%, and a ten-year increase of 1.08%. 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 six-month, two-year, and five-year
U.S. Treasury rates
Fiscal year 2022-23 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 2022-2023 and nine prior 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.

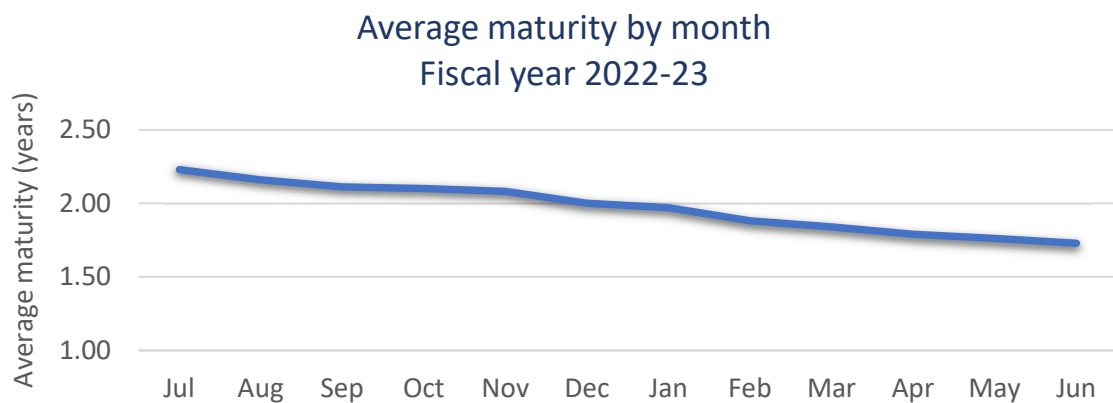
Changes in value due to changes in market interest rates are normal and are to be expected. Reporting requires that the city recognizes the market value of investments on an annual basis, however, the city's buy and hold policy safeguards against market volatility.

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.

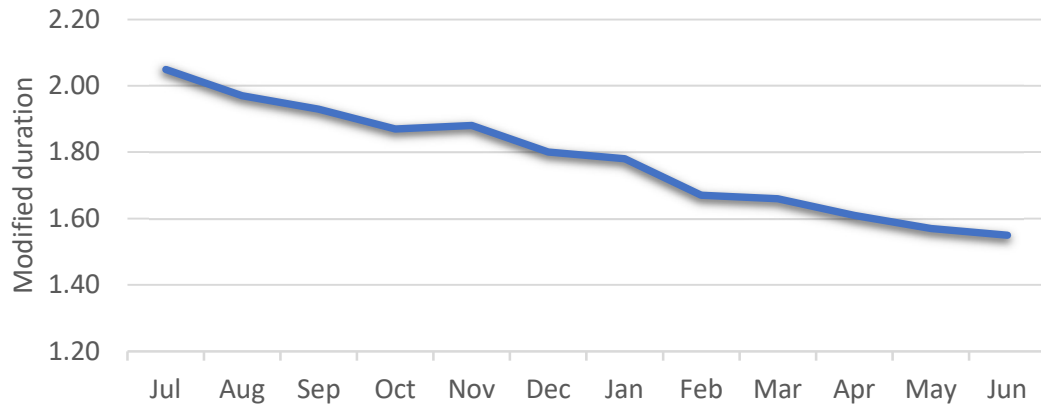


The maximum term for investments is five years. This graph shows how maturity is distributed as of June 30, 2023. 38.38% of the portfolio is maturing within 12 months and includes overnight pooled cash accounts. Policy dictates that a minimum of two-thirds the operating budget be maturing within 12 months. As of June 30, 2023, 92.1% of the fiscal year 2022-23 budget is maturing within 12 months.



Average maturity is required to be three years or less, and as of June 30, 2023, is 1.73 years. The decreasing average maturity is indicative of slowing reinvestment of maturities to allow for higher returns on shorter-term investments.

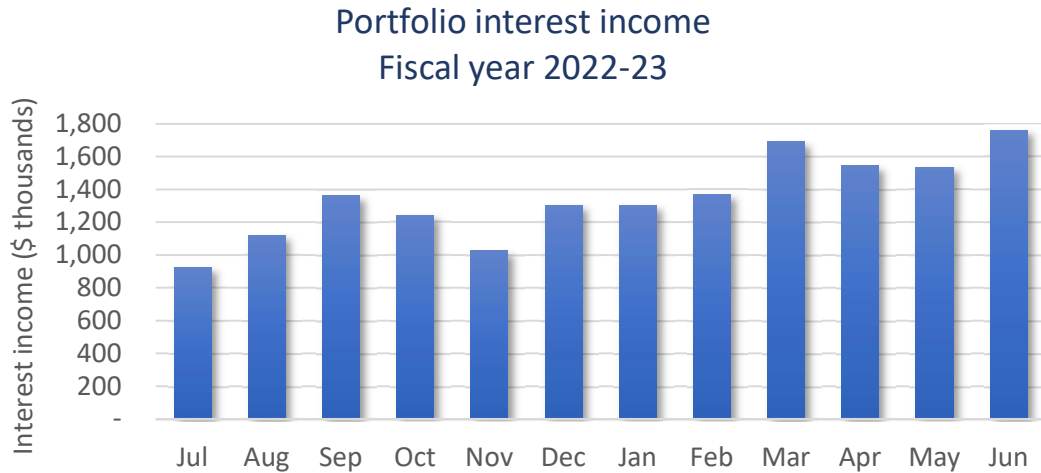
Modified duration Fiscal year 2022-23



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, 2023, the modified duration was 1.55.

PORTFOLIO INTEREST INCOME

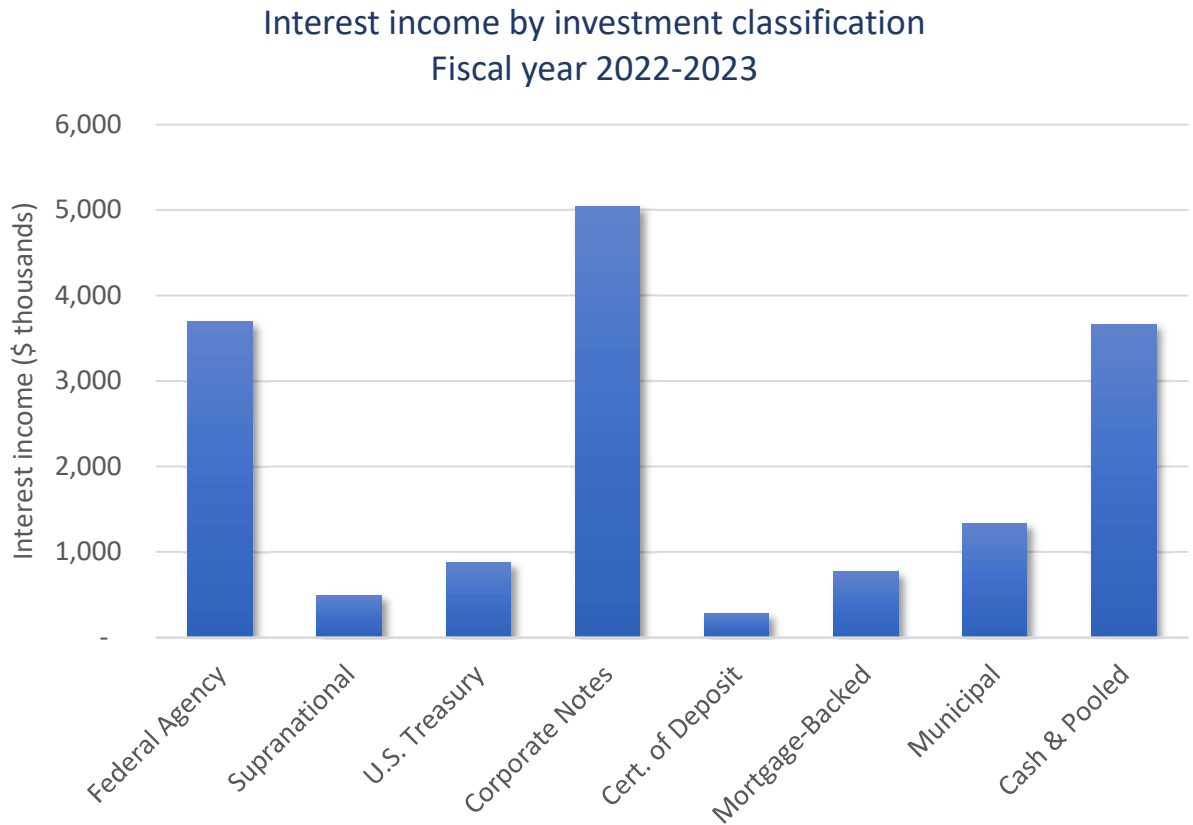
After safety and liquidity, return on investments is the third principal of investments. Cash income is a function of assets in the portfolio, the market interest rates at the time of the investments and interest payment schedules of the portfolio holdings.



Interest for the fiscal year totaled \$16,168,150, a 34.2% increase, or \$4,120,686, from the prior fiscal year. Interest revenue is allocated to city funds based on their proportionate 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.



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, 2023, five investments 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, 2023, approximately 18.1% of the city's total portfolio investments were in medium-term corporate notes.

California Government Code Section 53601(o) requires that mortgage-backed securities shall not exceed 20% of the portfolio. As of June 30, 2023, approximately 4.01% of the city's total portfolio investments were in mortgage-backed securities.

For concentration of investments in any one issuer, the city's Investment Policy requires that no more than 5% of investments in corporate notes, 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, 2023, 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, 2023, the portfolio had a 5.02% 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 \$342,318,824. As of June 30, 2023, the modified duration of the portfolio was 1.55, within the required maximum of 2.2. Investments maturing within one year were \$315,250,762, exceeding the required minimum of \$228,212,549. 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 2022-23

<u>Period</u>	<u>Range limit</u>
Jul 2022	2.25 - 2.50%
Sep 2022	3.00 - 3.25%
Nov 2022	3.75 - 4.00%
Dec 2022	4.25 - 4.50%
Feb 2023	4.50 - 4.75%
Mar 2023	4.75 - 5.00%
May 2023	5.00 - 5.25%

Short-term interest U.S. Treasury rate detail, fiscal year 2022-23

<u>Period</u>	<u>Six-month</u>	<u>Two-year</u>	<u>Five-year</u>
Jul 2022	2.91%	2.89%	2.70%
Aug 2022	3.32%	3.45%	3.30%
Sep 2022	3.92%	4.22%	4.06%
Oct 2022	4.57%	4.51%	4.27%
Nov 2022	4.70%	4.38%	3.82%
Dec 2022	4.76%	4.41%	3.99%
Jan 2023	4.80%	4.21%	3.63%
Feb 2023	5.17%	4.81%	4.18%
Mar 2023	4.94%	4.06%	3.60%
Apr 2023	5.06%	4.04%	3.51%
May 2023	5.46%	4.40%	3.74%
Jun 2023	5.47%	4.87%	4.13%

Market yield curve, fiscal year 2022-23 and prior two years

<u>FY end date</u>	<u>Three-month</u>	<u>Two-year</u>	<u>Five-year</u>	<u>Ten-year</u>
06/30/21	0.05%	0.06%	0.87%	1.45%
06/30/22	1.72%	2.92%	3.01%	2.98%
06/30/23	5.43%	4.87%	4.13%	3.81%

Valuation table, fiscal year 2022-23

Different values are presented throughout the report. This data table presents varying valuation types, listed by class.

Class	Par value	Market value	Book value
Certificate of Deposit	\$ 21,276,000	\$ 19,735,113	\$ 21,271,598
Corporate Notes	\$ 157,005,000	\$ 149,168,105	\$ 158,288,970
Federal Agency	\$ 331,633,000	\$ 309,326,161	\$ 331,245,773
U.S. Treasury	\$ 79,000,000	\$ 75,318,700	\$ 78,379,612
Supranational	\$ 19,440,000	\$ 18,379,217	\$ 19,569,872
Municipal Bonds	\$ 69,555,000	\$ 64,779,091	\$ 69,440,601
Pass Through Securities	\$ 35,665,124	\$ 33,350,238	\$ 35,731,741
Cash & Pooled	\$ 160,775,983	\$ 160,775,983	\$ 160,775,983
Total	\$ 874,350,106	\$ 830,832,607	\$ 874,704,150

Portfolio assets valuation, fiscal year 2022-23 and prior nine years

Fiscal year	Par value	Market value	Book value
2013-14	\$ 658,227,474	\$ 661,137,492	\$ 660,086,643
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

Sources of portfolio at amortized cost, fiscal year 2022-23

Fund type	2021-2022	2022-2023
General	\$ 165,734,346	\$ 185,166,409
Capital projects	\$ 390,989,986	\$ 375,873,203
Enterprise	\$ 200,089,457	\$ 204,198,973
Fiduciary & Internal service	\$ 61,321,878	\$ 75,097,927
Special & other	\$ 35,171,822	\$ 34,367,638
Total	\$ 853,307,489	\$ 874,704,150

Portfolio allocation at book value, June 30, 2023

Policy limitations are not limited for federal agency issuers.

Class	% Total	Policy limits
Federal Investments	37.81%	N/A
Supranational	2.24%	10.00%
U.S. Treasury	8.96%	N/A
Corporate Notes	18.10%	30.00%
Certificate of Deposit	2.43%	30.00%
Pass Through Securities	4.09%	20.00%
Municipal Bonds	7.94%	15.00%
Cash & Pooled Cash	18.38%	N/A
Totals	100.00%	

Investment changes by class, fiscal year 2022-23

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

Class	06/30/22	06/30/23	Dollar change	Change
Certificate of Deposit	\$ 21,582,000	\$ 21,276,000	\$ (306,000)	-1.42%
Corporate Notes	\$ 199,353,000	\$ 157,005,000	\$ (42,348,000)	-21.24%
Federal Agency	\$ 323,551,000	\$ 331,633,000	\$ 8,082,000	2.50%
U.S. Treasury	\$ 86,750,000	\$ 79,000,000	\$ (7,750,000)	-8.93%
Supranational	\$ 27,940,000	\$ 19,440,000	\$ (8,500,000)	-30.42%
Municipal Bonds	\$ 60,715,000	\$ 69,555,000	\$ 8,840,000	14.56%
Pass Through Securities	\$ 28,704,716	\$ 35,665,124	\$ 6,960,408	24.25%
Total	\$ 748,595,716	\$ 713,574,124	\$ (35,021,592)	-4.68%

Class	Maturities	Calls	Buys
Certificate of Deposit	\$ 3,711,000	\$ -	\$ 3,405,000
Corporate Notes	\$ 61,848,000	\$ 2,000,000	\$ 21,500,000
Federal Agency	\$ 23,723,000	\$ 1,000,000	\$ 32,805,000
U.S. Treasury	\$ 26,750,000	\$ -	\$ 19,000,000
Supranational	\$ 8,500,000	\$ -	\$ -
Municipal Bonds	\$ 3,000,000	\$ -	\$ 11,840,000
Pass Through Securities	\$ 4,590,591	\$ -	\$ 11,550,999
Total	\$ 132,122,591	\$ 3,000,000	\$ 100,100,999

Portfolio yields, fiscal year 2022-23 and prior nine years

Month ending	Portfolio yield	Fiscal year	Portfolio yield	Treasury, 06/30/23		
				Six-month	Two-year	Five-year
07/31/22	1.37%	2013-14	1.05%	0.07%	0.47%	1.62%
08/31/22	1.39%	2014-15	1.09%	0.11%	0.64%	1.63%
09/30/22	1.51%	2015-16	1.16%	0.36%	0.58%	1.01%
10/31/22	1.82%	2016-17	1.25%	1.14%	1.38%	1.89%
11/30/22	1.89%	2017-18	1.57%	2.11%	2.52%	2.73%
12/31/22	2.01%	2018-19	1.96%	2.09%	1.75%	1.76%
01/31/23	1.87%	2019-20	1.69%	0.18%	0.16%	0.29%
02/28/23	1.89%	2020-21	1.17%	0.06%	0.25%	0.87%
03/31/23	2.02%	2021-22	1.28%	2.51%	2.92%	3.01%
04/30/23	2.09%	2022-23	2.22%	5.47%	4.87%	4.13%
05/31/23	2.21%					
06/30/23	2.22%					

Unrealized gain or loss, fiscal year 2022-23

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 2022	-3.87%
Aug 2022	-4.98%
Sep 2022	-4.99%
Oct 2022	-4.95%
Nov 2022	-5.85%
Dec 2022	-5.78%
Jan 2023	-4.97%
Feb 2023	-5.75%
Mar 2023	-4.63%
Apr 2023	-4.44%
May 2023	-4.76%
Jun 2023	-5.02%

Modified duration, fiscal year 2022-23

Month	Modified duration
Jul 2022	2.05
Aug 2022	1.97
Sep 2022	1.93
Oct 2022	1.87
Nov 2022	1.88
Dec 2022	1.80
Jan 2023	1.78
Feb 2023	1.67
Mar 2023	1.66
Apr 2023	1.61
May 2023	1.57
Jun 2023	1.55

Revenue from investments monthly, fiscal year 2022-23

Month	Income
Jul 2022	\$ 924,108
Aug 2022	\$ 1,119,207
Sep 2022	\$ 1,361,805
Oct 2022	\$ 1,239,802
Nov 2022	\$ 1,025,192
Dec 2022	\$ 1,301,852
Jan 2023	\$ 1,301,427
Feb 2023	\$ 1,366,815
Mar 2023	\$ 1,690,393
Apr 2023	\$ 1,545,940
May 2023	\$ 1,532,137
Jun 2023	\$ 1,759,471
Total	\$ 16,168,150

Revenue from investments by class and totals, fiscal year 2022-23 and prior nine years

Investment class	Cash income	Fiscal year	Cash income
Federal Agency	\$ 3,696,650	2013-14	\$ 8,105,457
Supranational	\$ 491,500	2014-15	\$ 7,864,801
Treasury	\$ 882,295	2015-16	\$ 8,678,630
Corporate Notes	\$ 5,040,881	2016-17	\$ 9,286,187
Certificate of Deposit	\$ 283,962	2017-18	\$ 11,248,807
MBS (agency)	\$ 771,419	2018-19	\$ 14,837,963
Municipal	\$ 1,335,783	2019-20	\$ 17,031,603
Cash & Pooled Cash	\$ 3,665,659	2020-21	\$ 14,026,325
Fiscal Year 2022-23 Total	\$ 16,168,150	2021-22	\$ 12,047,464
		2022-23	\$ 16,168,150

Liquidity by maturity period

Period, in months	Maturity value	Percentage
0-12	\$ 318,884,562	38.38%
13-24	\$ 173,504,719	20.88%
25-36	\$ 167,498,994	20.16%
37-48	\$ 113,380,639	13.65%
49-60	\$ 57,563,693	6.93%
Total	\$ 830,832,607	100.00%

Average maturity, fiscal year 2022-23

Month	Average maturity (years)
Jul 2022	2.23
Aug 2022	2.16
Sep 2022	2.11
Oct 2022	2.10
Nov 2022	2.08
Dec 2022	2.00
Jan 2023	1.97
Feb 2023	1.88
Mar 2023	1.84
Apr 2023	1.79
May 2023	1.76
Jun 2023	1.73

Cash inflows and outflows, fiscal year 2022-23

The city's portfolio balance increased 2.64% from \$852 million to \$875 million in book value over the fiscal year. The increase of \$22.5 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 \$1.09 billion of cash inflows and cash outflows which prompted investment decisions during fiscal year.

Cash inflows and outflows	
Investment calls	\$ 3,000,000
Investment maturities	\$ 132,122,591
Investment purchases	\$ 100,100,999
Interest income	\$ 16,168,150
LAIF investments	\$ 74,000,000
LAIF withdrawals	\$ 2,000,000
CAMP investments	\$ 190,500,000
CAMP withdrawals	\$ 53,500,000
Overnight investments	\$ 262,487,770
Overnight withdrawals	\$ 256,821,627

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

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