



DEPARTMENT OF FINANCE -- TREASURY DIVISION

CITY OF PASADENA INVESTMENT STRATEGY

Fiscal Year 2026-2027

I. PURPOSE

The City's investment strategy is designed to ensure (1) the prudence and efficiency of investments; (2) the accurate monitoring and forecasting of revenues and expenditures; and, (3) the securing of the safety and liquidity of public funds. The City attempts to earn the highest yield obtainable while maintaining compliance to the criteria of the City's Investment Policy. The qualifications are as follow:

1. To secure safety of funds
2. To maintain liquidity of assets
3. Yield or return
4. To monitor deposits from all departments (Float)
5. Compounding of interest
6. To match investment maturities to large expenditures
7. Flexibility to change investments to maximize security and yield
8. To retain full knowledge of investments available to Treasurers
9. To deal only with qualified brokers and banks
10. To insist upon written confirmation of investments and collateral
11. To check with FHLB for sufficiency of collateral if pooled collateral

II. FINANCIAL DATA

Daily economic and financial market data is obtained from the Bloomberg Financial System and financial experts in the field through bankers, brokers, market analysts and periodicals.

III. CASH FORECASTS

Twelve- and eighteen-month cash forecasts are monitored and updated to accurately estimate revenues and expenditures in order to invest funds to the fullest extent possible.

IV. MAINTAINING BANK BALANCES

Active bank balances are kept at adequate levels without jeopardizing good banking relationships.

V. PORTFOLIO TESTING

The City's portfolio is tested on a monthly basis so that legal limits of types of investments are not exceeded.

VI. LIQUIDITY OF FUNDS

Sufficient funds are maintained in overnight liquid investments to meet current and estimated cash flow needs. The City maintains an adequate level of overnight and short term investments to meet any liquidity and cash need at any given day when cash outflow exceeds cash inflow.

VII. PORTFOLIO MANAGEMENT

In managing the City's portfolio, the City Treasurer considers the overnight investment balance along with securities with maturities of 90 days or less as the operating fund for cash flow purposes. This portion of the portfolio is managed to meet the needs of the regular day to day operating expenses of the public body. Safety of principal and liquidity are the primary investment objectives. Income is a secondary objective. Typically the Treasurer maintains an average investment balance of at least \$40 million in this short term liquid portion of the portfolio with a maturity of one week or less.

The balance of the portfolio is invested in securities with longer-term maturities representing the surplus funds. This portion of the portfolio is managed with longer-term securities as liquidity is not the primary objective and may include supplementing the short term liquidity portion of the portfolio if necessary. Safety of principal is still the primary objective, but income, competitive return, and liquidity can be secondary objectives.

VIII. MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by the potential use when appropriate of the following strategies:

1) Active Portfolio Management:

Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases or decreases in risk by enhanced indexing the portfolio or extending or reducing the weighted maturity of the total portfolio and/or actively trading a portion of the portfolio to try to achieve higher returns. Realized gains and losses are expected in active portfolio management and thus authorized as part of the program.

2) Portfolio Maturity Management:

When structuring the maturity composition of the portfolio, the City shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions, longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

3) Security Swaps:

The City may take advantage of security swap opportunities or simply sell an investment to improve the overall portfolio yield and/or credit risk. Such transactions that improve the portfolio yield and/or reduce credit risk may be selected even if the transactions result in an accounting loss.