

SESSION FOUR

The Day-to-Day Management of a Public Investment Portfolio



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**If you run an investment program,
what is the TYPICAL size of your
program?**



What are your agency's annual expenditures (outflows, total, all types)?

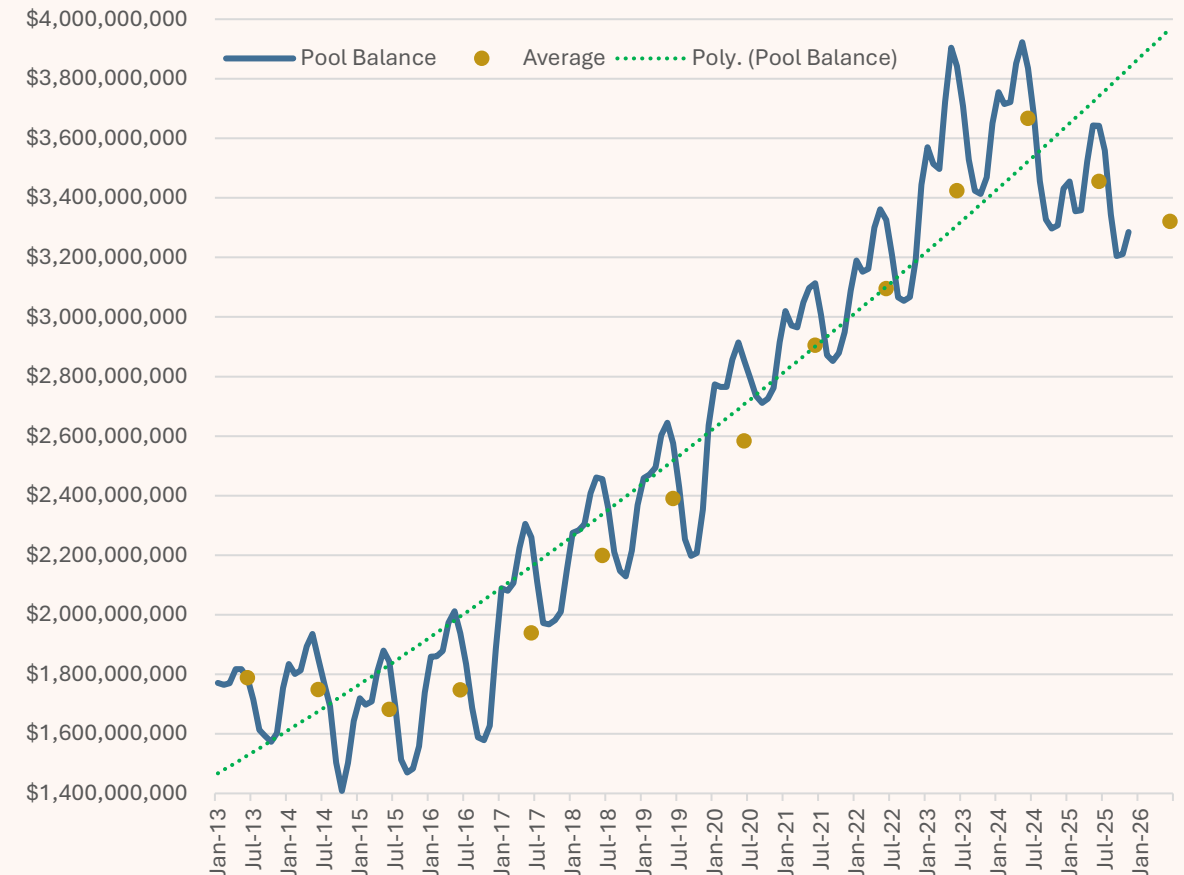
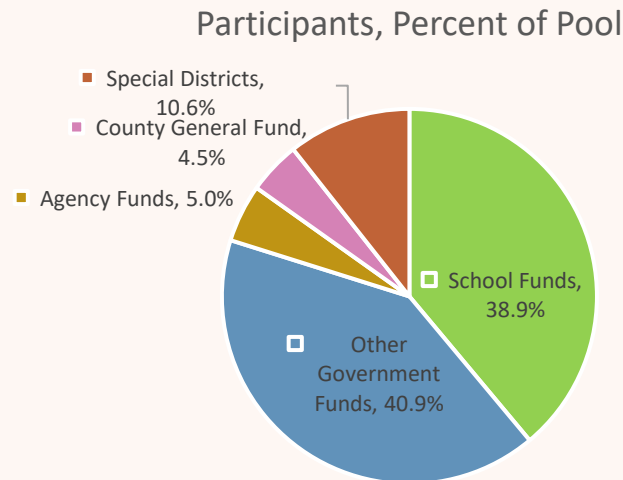


What are your agency's annual revenues (inflows, total, all types)?

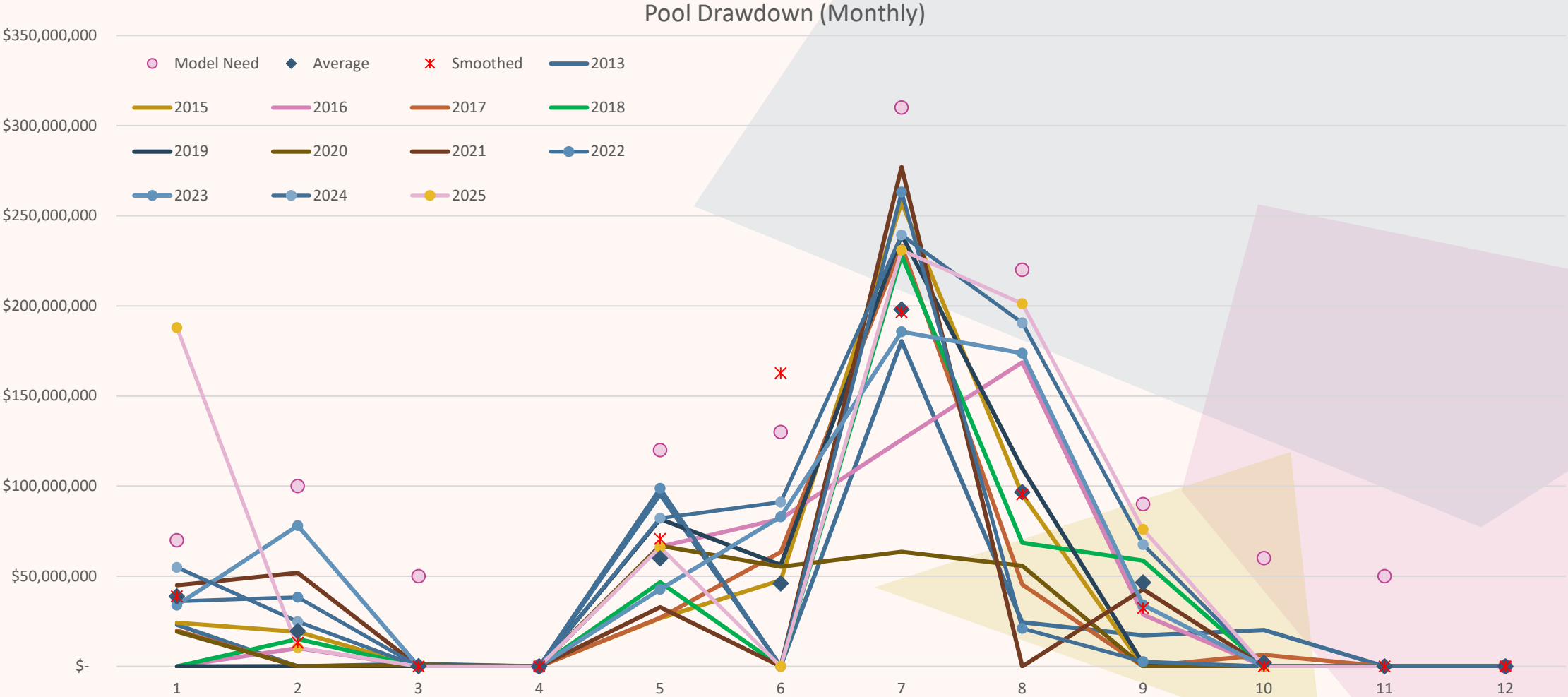
Sonoma County Pooled Investment Fund

- Quick Facts:

- Approximately \$3.7bn pool
- Approximately \$4bn in taxes/revenues/fees/other inflows
- Approximately \$4bn in expenditures

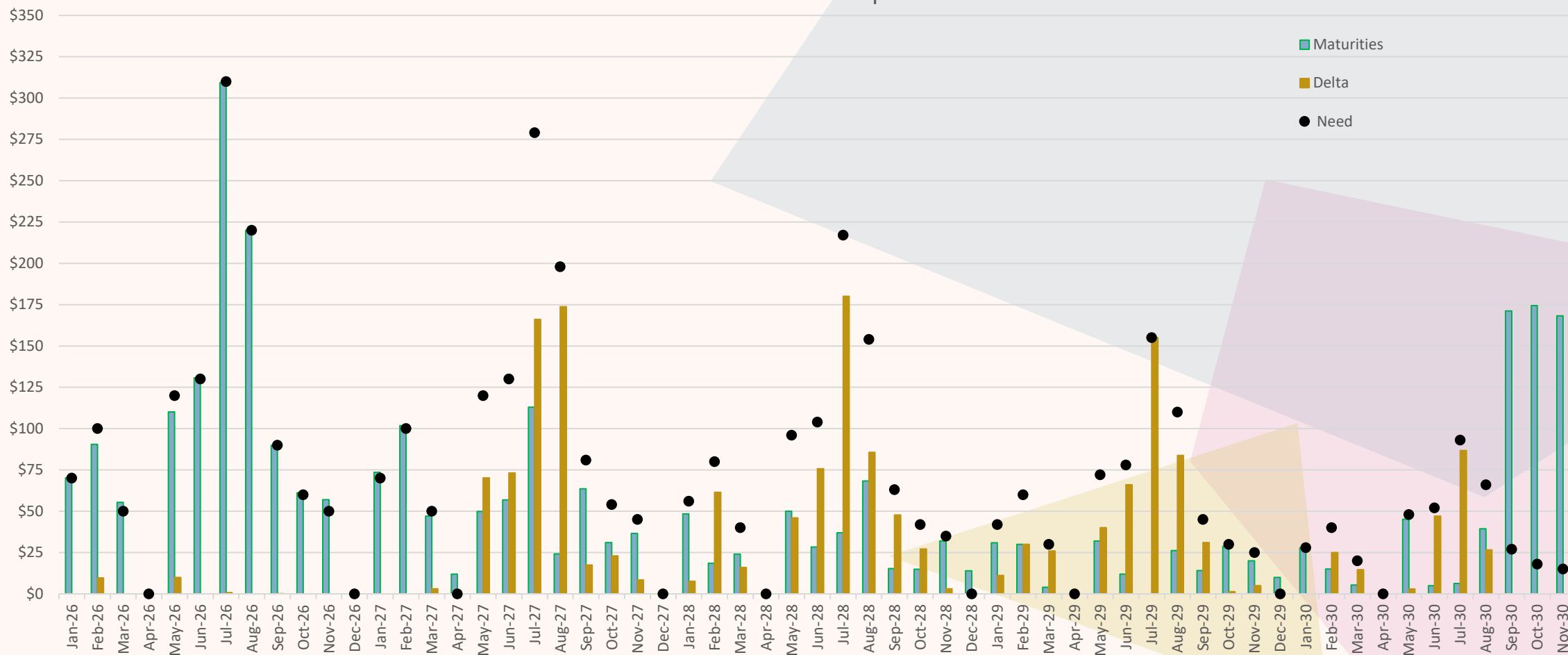


Defining the Problem: What Do We Need?

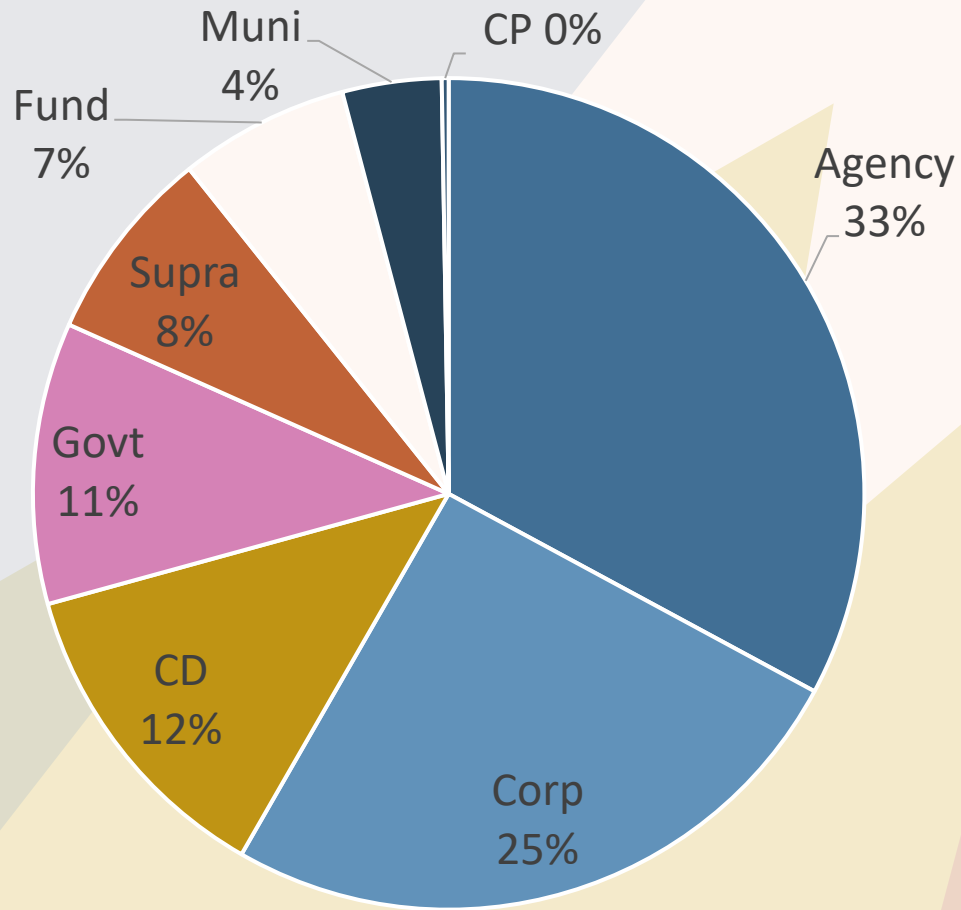


Building a Portfolio – Buy Where You Need

Maturities & Gaps

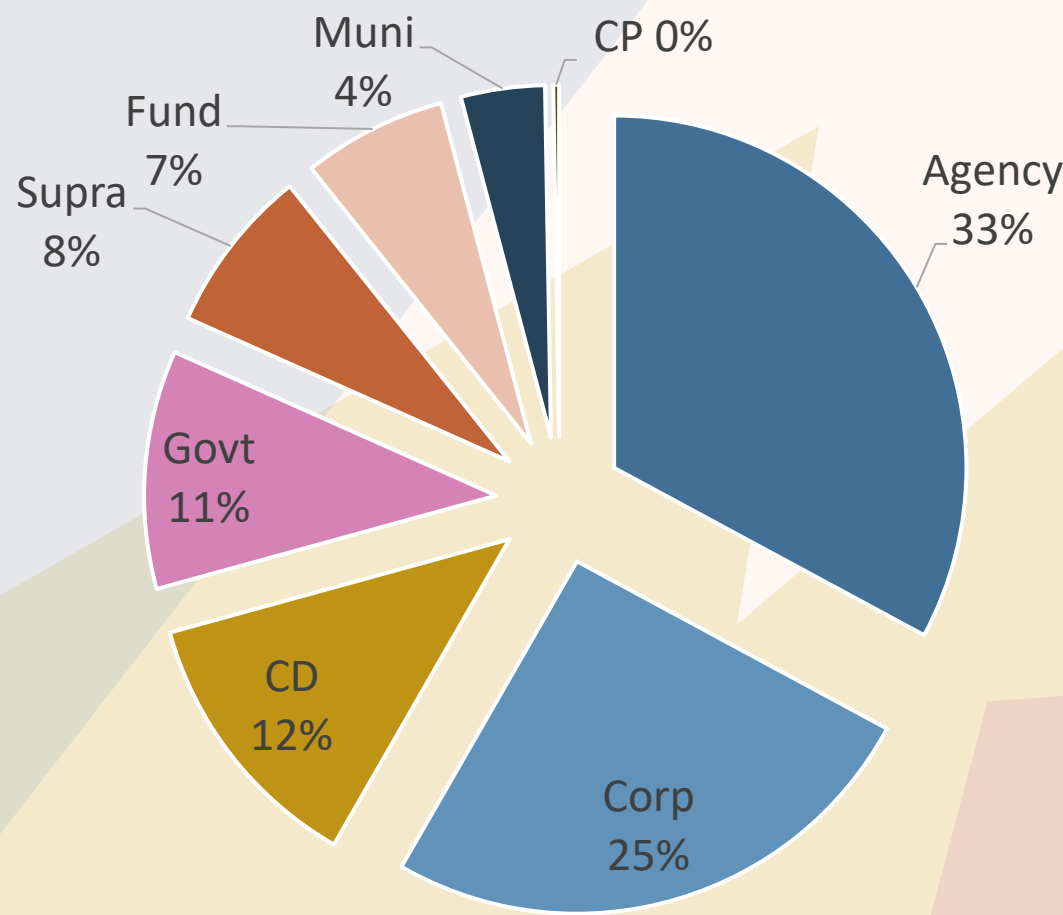


Building a Portfolio – Draw Inside the Lines



Sector	Book Value	Exposure	Limit
Agency	\$1,216,582,068	32.9%	100%
Corp	\$940,771,244	25.4%	30%
CD	\$459,800,000	12.4%	30%
Govt	\$404,985,257	10.9%	100%
Supra	\$281,299,473	7.6%	30%
Fund	\$244,365,222	6.6%	20%
Muni	\$142,562,941	3.9%	100%
CP	\$9,902,244	0.3%	40%
Grand Total	\$3,700,268,448		

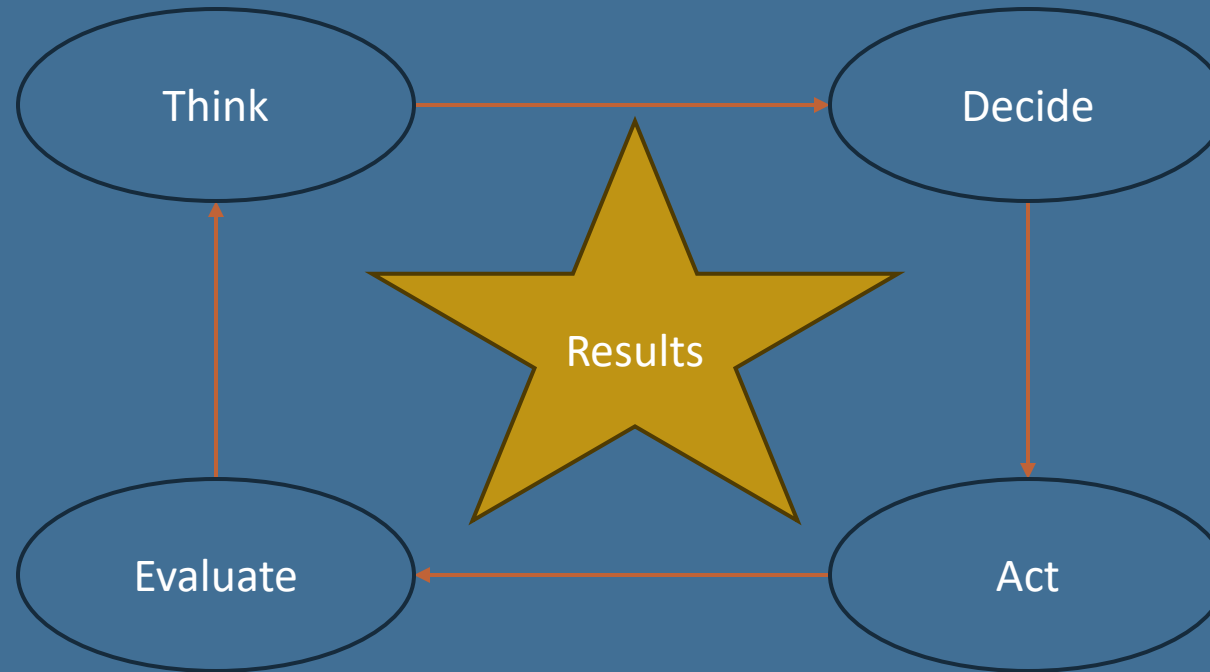
Building a Portfolio – Each Block Has Purpose



Sector	Primary Use	Secondary Use
Agency Bullets	Bullets: Maturity	Liquidity, Safety
Agency Calls	Yield Enhancement	Safety
Corp	Yield Enhancement	Maturity target
CD	Maturity target	Yield
Govt	Maturity target	Liquidity, Safety
Supra	Maturity target	Yield
Fund	Liquidity	Safety
Muni	Yield Enhancement	Maturity target
CP	Maturity target	Yield

Our Process (required circular slide)

We run a rigorous 4-step process daily to stay focused on outcomes



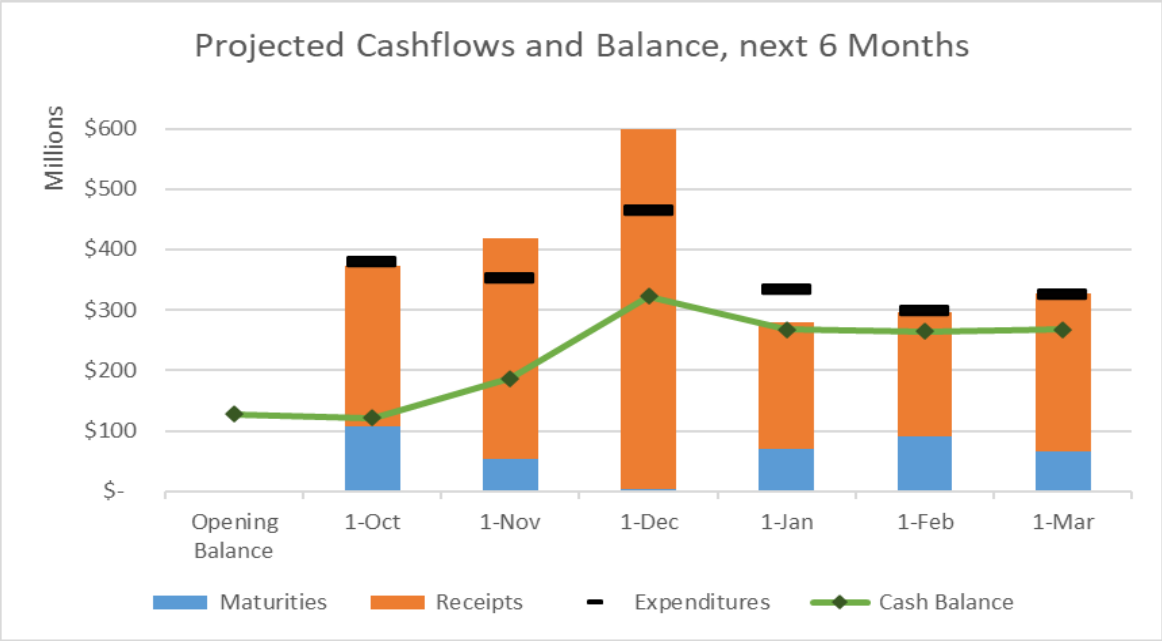
Reporting: Communicating with Partners/Public

- Strike a Balance:
 - Too limited – what are you hiding?
 - Too much – no one reads it (or they do!)
- What is required...
 - Monthly Transactions (16429.1.m)
 - (If) Quarterly (53646.b):
 - Inventory
 - Outside Managers
 - Market Value
 - Complies w/ Code & Policy
 - Ability to meet expenditures (6mo)

Reporting: Communicating with Partners/Public (cont. 2 of 3)

Section 1: Sonoma County Pooled Investment Fund Summary Statistics

Investment Pool	As of Sep 30, 2025	As of Jun 30, 2025
Book Value	\$3,147,806,178	\$3,658,232,295
Market Value	\$3,158,056,213	\$3,661,596,375
Market Value/Book Value	100.33%	100.09%
Weighted Avg Maturity	772 Days	732 Days
Quarterly Return (gross)	4.097%	4.025%
Apportionment Rate (net)	4.048%	3.925%
Earnings Apportioned	\$33,558,148	\$35,547,116
Average Daily Book Value	\$3,316,071,465	\$3,622,927,531



Reporting: Communicating with Partners/Public (cont. 3 of 3)

Section 4: Impact Investments

To the extent possible, within the State's Government Code Section 53601, the Pool will invest in assets that fund activities that improve the Environment, advance Social and Educational goals, and support our local community, provided that such investments are compliant with State Statute and the adopted Investment Policy, as well as meet the three primary goals of the Pool: 1. Safety of Principal, 2. Provide Liquidity to our Participants, and 3. Achieve a reasonable return consistent with a prudent application of these criteria.

Currently, the Pool will consider investments in 1. Climate-friendly bonds (aka Green or Sustainable bonds), 2. Bonds that have a stated use that seeks to advance social goals, 3. Bonds that support education, 4. Bonds that are issued by Development Banks, and 5. Bonds issued by local, Sonoma County issuers. Currently, approximately 13% of the Pool meets these criteria. The full breakdown is presented in Figure 6:

ESG Holdings	Amount	Percent
Designated Green Bonds	\$68,660,749	2.2%
Designated Social Bonds	\$242,463,752	7.7%
Development Bonds	\$48,095,876	1.5%
Education Bonds	\$37,843,855	1.2%
TOTAL	\$397,064,231	12.6%
Locally Focused Bonds	(included above)	
Total	\$27,712,331	0.9%
Local Green	\$23,473,988	0.7%
Local Schools	\$4,238,343	0.1%



How often do you review your investment policy?



**Do you consider ESG or other
criteria than the Big 3
(Safety/Liquidity/Yield)?**

City of Burbank

DEMOGRAPHICS



103,000
POPULATION



76.72%
SOME COLLEGE OR HIGHER



\$132K
AVERAGE HOUSEHOLD INCOME



165K
WORKFORCE POPULATION



42
MEDIAN AGE



250K
DAYTIME POPULATION



\$134K
AVERAGE EARNINGS PER JOB PER PERSON



42,551
HOUSEHOLDS



**CITY OF
BURBANK**



TOP 10 INDUSTRIES



NUMBER OF JOBS

ENTERTAINMENT	67,860
HEALTH CARE SERVICES	20,862
INFORMATION TECHNOLOGY	19,963
PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES	10,992
ADMINISTRATIVE AND SUPPORT SERVICES	8,287
RETAIL/WHOLESALE	7,989
FOOD SERVICE AND DRINKING PLACES	7,079
LOCAL GOVERNMENT AND NON PROFITS	4,703
MANUFACTURING	4,075
CONSTRUCTION	3,414



2min 38sec
BURBANK POLICE RESPONSE TIME



5min 35sec
BURBANK FIRE RESPONSE TIME

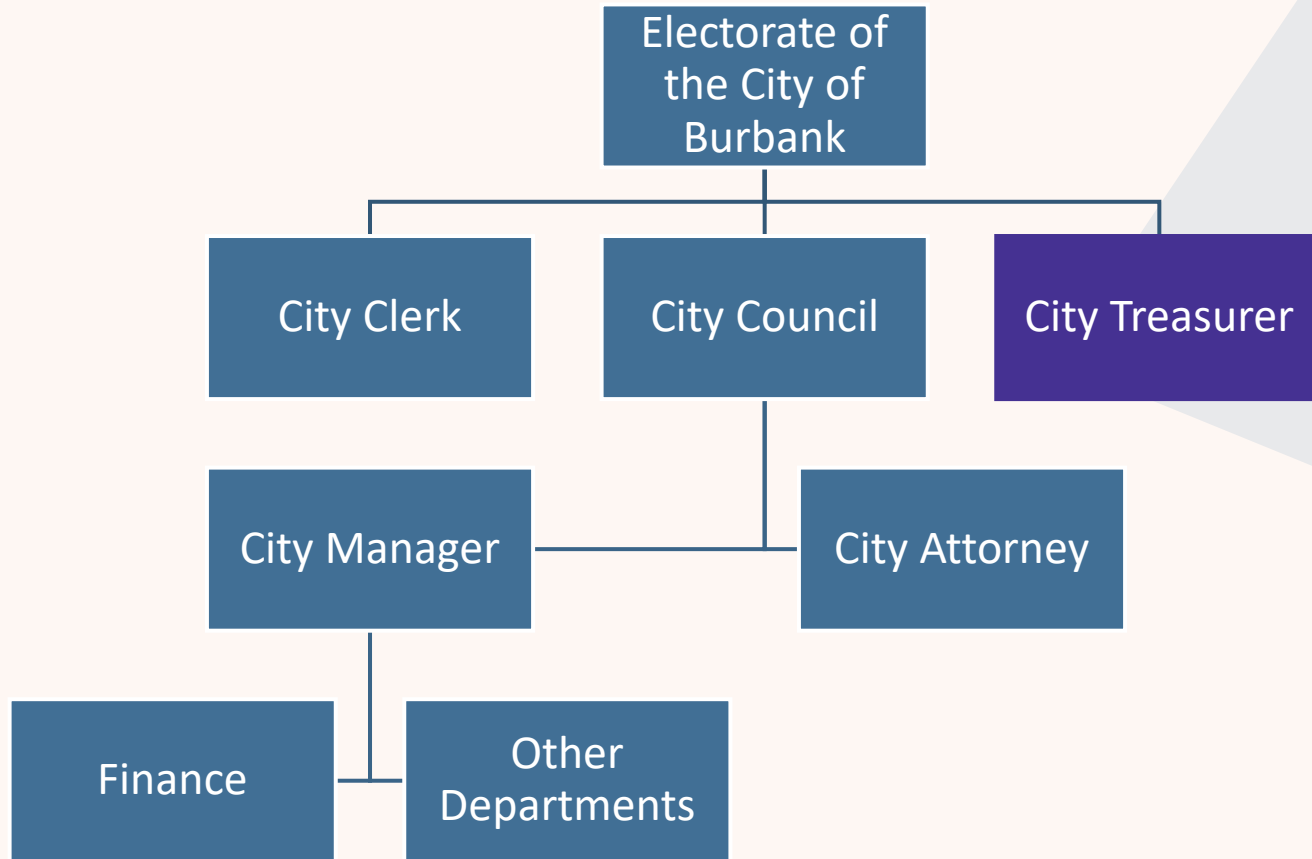


\$1,148,000
BURBANK'S MEDIAN HOME PRICE

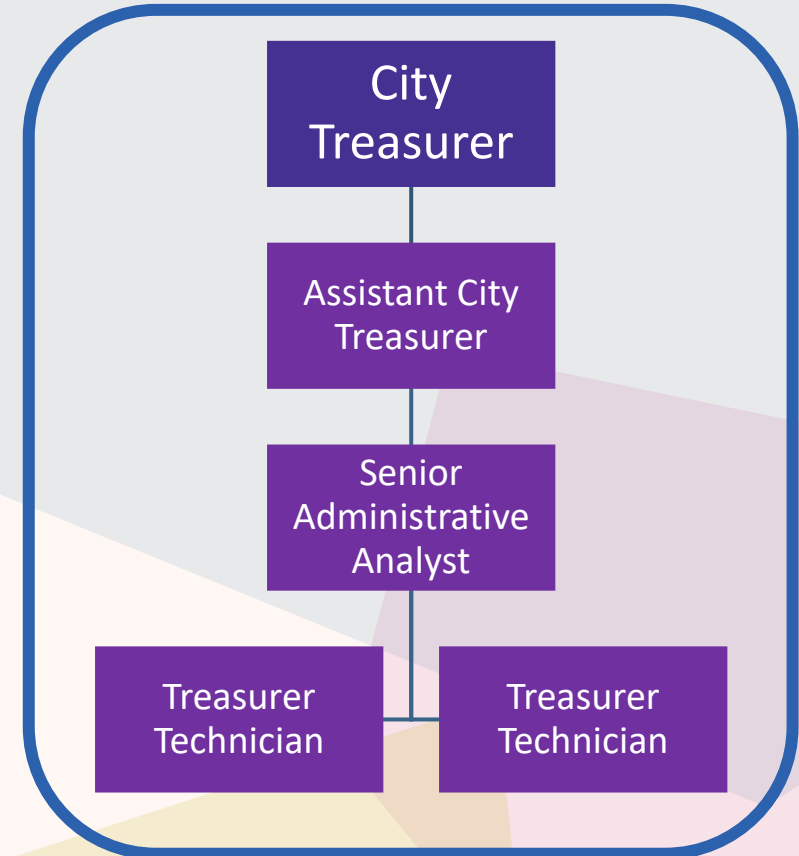


\$899,000
L.A. COUNTY'S MEDIAN HOME PRICE

Organizational Structure

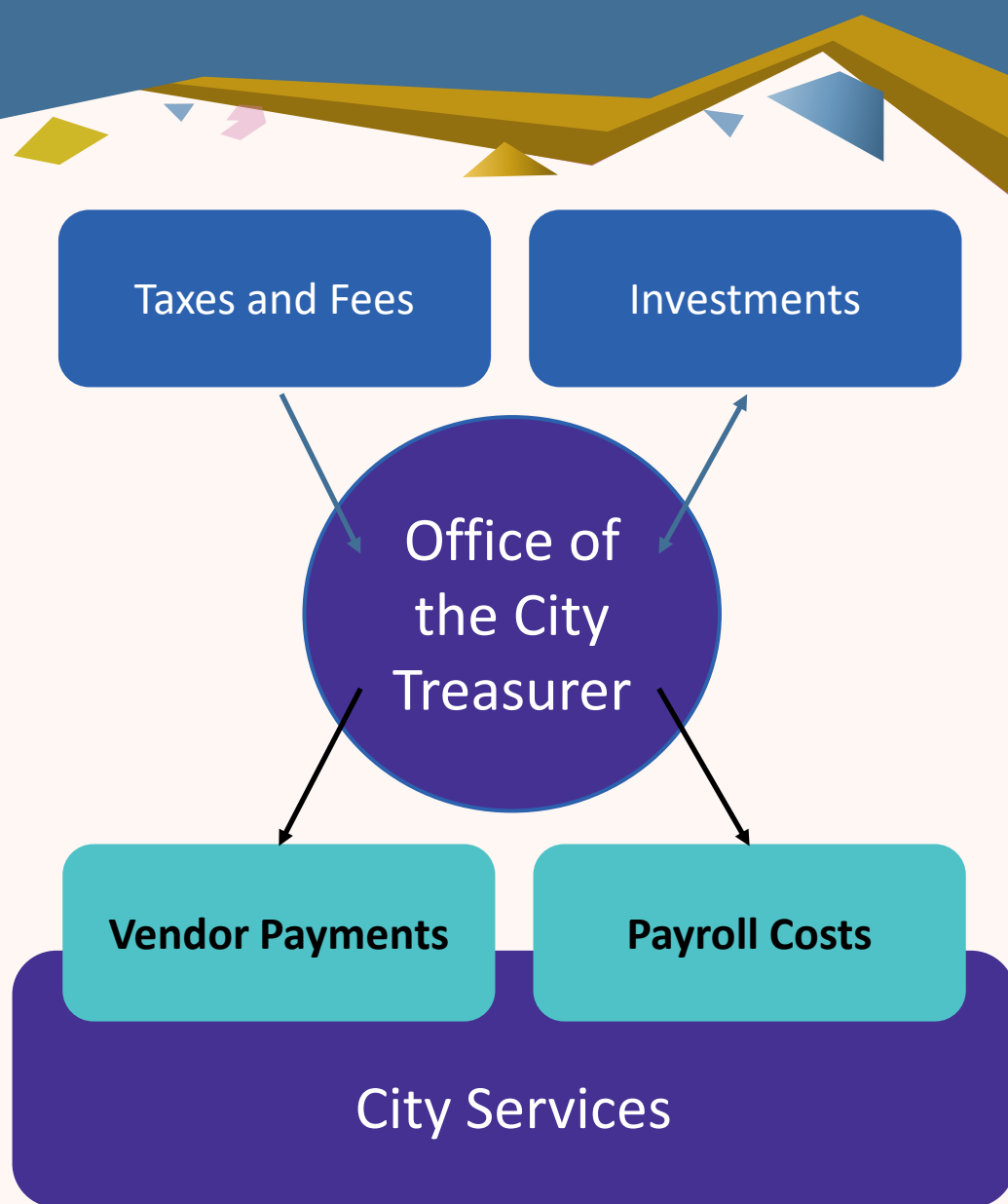


- City of Burbank ~1,550 Employees
- Charter City
- Council-manager government



- 5 Full-time treasury employees
- Responsible for deposits, payments, and investment portfolio

Cash Management



**\$539 million in incoming
ACH payments***

**\$163 million in checks
received, processed, and
deposited***

**\$6 million in cash
deposits***

***FY 24-25**

Investment Policy Guidelines

Oversight

- Investment Policy presented annually to City Council for approval/adoption
- Semi-annual presentations to Fiscal & Treasurer's Review Group (internal), Treasurer's Oversight Review Committee (external), and City Council
- All investment transactions audited by third-party firm for compliance
- Monthly reports emailed to Council and committees

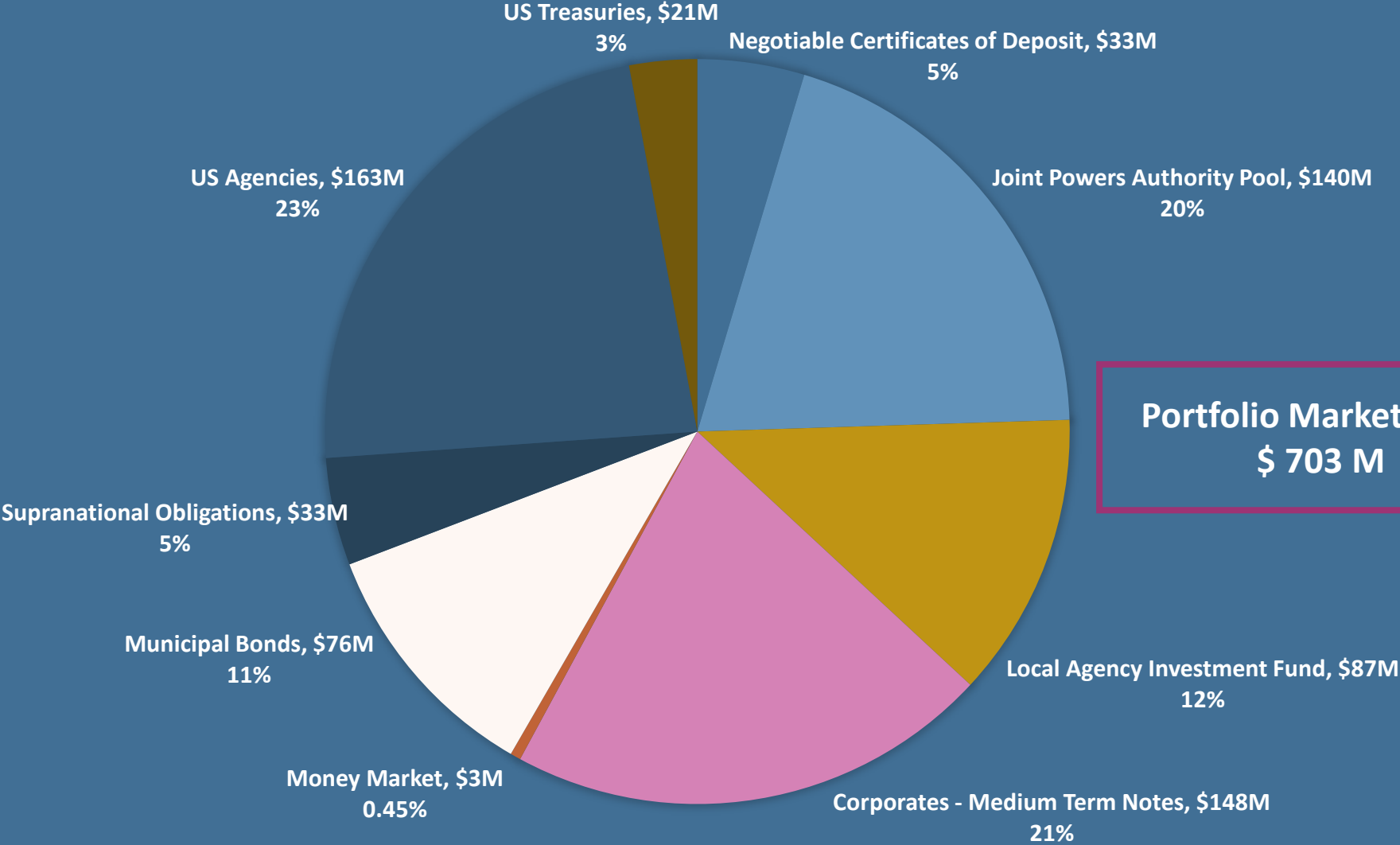
List of Qualified Brokers

- Interested brokers must submit application to be approved
- Selection criteria based upon merit, expertise, and performance
- Annual review of broker financial condition and registration

Environmental, Social, and Governance (ESG) Responsibilities

- While safety, liquidity, and yield remain the City's primary investment objectives, all else being equal, the policy encourages environmental stewardship, health and safety, fairness and equality, customer satisfaction, good governance, and impact investing

Portfolio Value by Asset Class (Oct 2025)



Portfolio Management

Safety

- Maximum maturity of 5 years
- Diversification
- Minimum credit ratings
- Due diligence
- Credit monitoring
- Credit downgrade provision

Technology

Bloomberg



Liquidity



Morgan Stanley

Yield

- All investment transactions, except for “new issues,” are conducted on a competitive basis
- Pricing validated through Bloomberg and/or bidding process with at least 3 brokers

Day-to-Day Investing



- How much money do we have to invest?
- What is our target duration?
- Where is the value today? Analyze spreads. Are there any anomalies?
- What are other people buying? What are other people not buying?
- Put together a shopping list.
- Who can provide the best pricing? Ask around. Get multiple quotes.
- Always negotiate. It never hurts to ask.



How do you invest?



How often are you in the market?

East Bay Municipal Utility District (EBMUD)

- Formed in 1923 under the Municipal Utility District Act
- Governed by seven-member Board of Directors
- Headquartered in Oakland, CA
- Operates two systems
 - A retail water system
 - Wastewater treatment
- Workforce of approximately 2,000 employees
- \$1.2 billion in 2026 budgeted expenses



EBMUD Water System



- One of the largest retail water systems in U.S.
- Secure and diverse portfolio of high-quality water sources
- Serves 1.4 million people over 332 sq. mi.
- \$1.46 billion in 2026 budgeted expenses

EBMUD Wastewater System

- Established in 1944
- Provides regional treatment
- Collection provided by local cities/agencies
- Serves 740,000 people over 88 sq mi.
- \$246 million in 2026 budgeted expenses



Investing “In House” (No Investment Advisor)

- Allows development of in-house expertise
- Staff focuses on EBMUD’s unique cash flow needs
- Portfolio big enough to justify *some* tools
 - Bloomberg
 - Tracker
- Considerations of investing in house
 - Achieving diversification across asset classes can be difficult
 - Ongoing education and training required
- Overseen by the Finance Director
 - Day-to-day managed by Investment Administrator and Treasury Manager
- District Board has ultimate authority – Board presented with monthly transactions, quarterly updates and annual policy review

EBMUD Investment Portfolio

- Portfolio fluctuates between \$500 and \$800 million
- Primarily investing Water and Wastewater funds
- District staff also invests on behalf of several JPAs
- Driven by the familiar mandates
 - Safety
 - Liquidity
 - Yield
 - Diversity
- District finance and investment staff also acts as the finance team for the District's retirement system

EBMUD Investment Framework

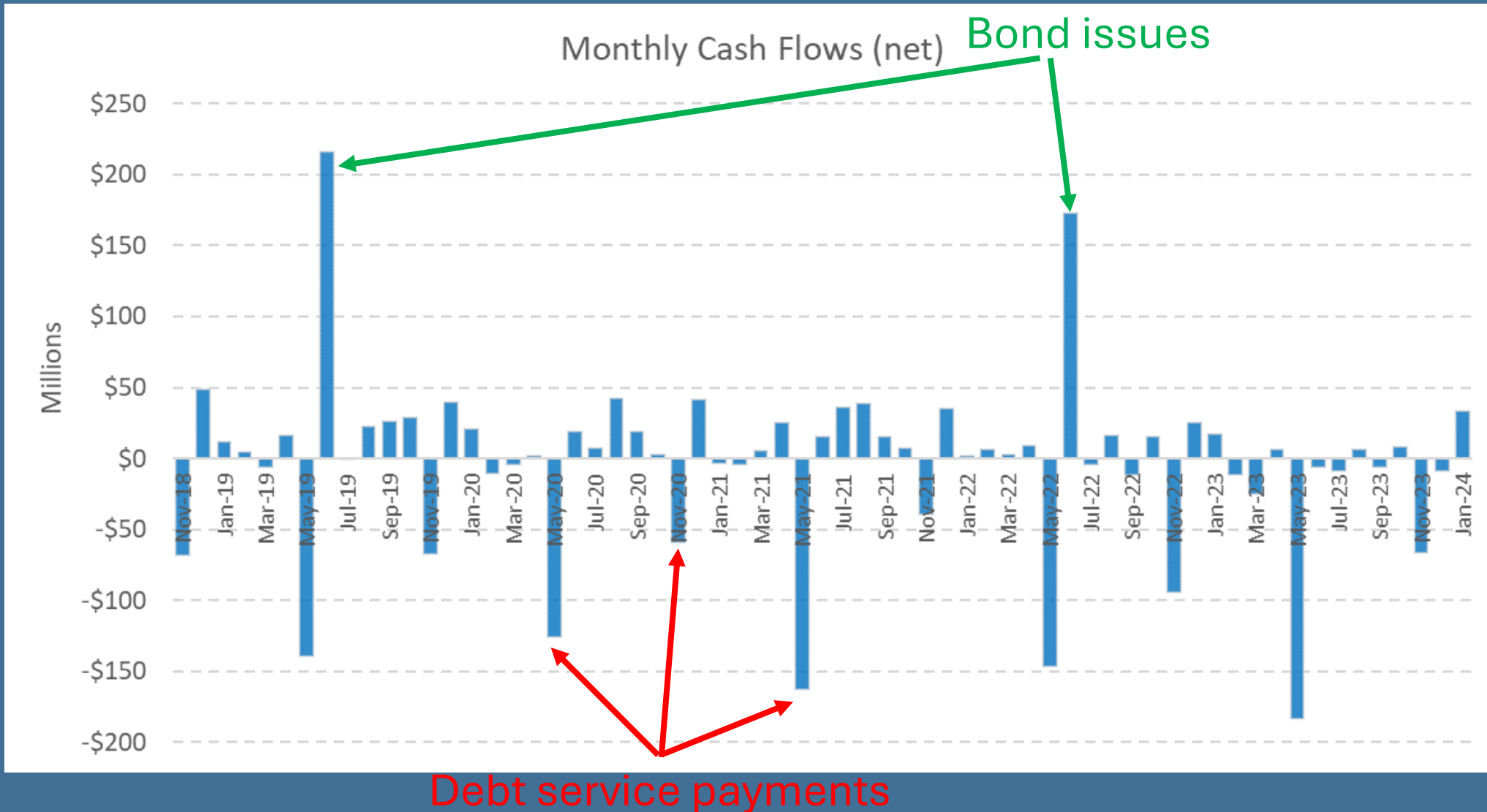
- Portfolio stratified into tiers (total based on % of budget)
 1. Overnight (commercial bank, money market funds & LGIPS)
 2. Middle Tier (break glass in case of emergency) Treasury Ladder
 3. Long-term Immunization of large outflows (predominantly debt service)
- Overnight liquidity for additional cushion and unexpected needs
- Middle tier reserves with some duration
- Immunization investments for largest cashflow needs (debt service)

Cash Flow Needs of a Utility



- Cash flow needs are relatively predictable for water and wastewater utilities
- Rate revenue comes in daily with some seasonality
 - Ranges from \$1M to \$5M daily
- Operating expenses are stable
 - Payroll is the largest operating outflow every two weeks
- Debt service is largest expense
 - We know the exact amount and timing well in advance
- Capital spending is a source of variability
 - The District's current capital plan is approximately \$1.2B over just the next two years and \$6.8B over the next 10 years

Predictable Cash Flows





How many counterparties do you use on a regular basis?



When buying in the secondary market, do you “shop around” for the lowest price?



When buying securities, what do you care about the most?



We've been through some weird investment environments over the last 20 years... Did your investment strategy change for:

- i. COVID (low rates)**
- ii. Hike-a-palooza (2022 & 2023)**
- iii. Financial Crisis (2007-10)**
- iv. Bank Hiccup (March 2023)**
- v. Low rates for-ev-er (2009-2015)**
- vi. Tariff Party '25**

QUESTIONS?



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