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## Investment Report for the Quarter Ended September 30, 2014

November 18, 2014

Honorable Mayor and City Council,

I am pleased to present this report of investment activity for the quarter ended September 30, 2014 in compliance with the reporting requirements as set forth in the California Government Code Sections 53600 et seq. and the City of Chula Vista Investment Policy. The information presented in this report highlights the investment activity for the quarter ended September 30, 2014 as well as provides a comparison to the quarters ended September 30, 2013 and June 30, 2014.

### Market Overview

The Federal Open Market Committee (FOMC) continues to maintain the key Fed Funds rate at a target range of 0.00% to 0.25% in hopes of stimulating the economy. Two-year Treasuries yielding 0.46% at the beginning of the quarter ended slightly higher at the end of the quarter at 0.59%.

The overall consumer price index (CPI) rose 1.7% on a year-over-year basis, and the core CPI (excluding food and energy) also rose 1.7% increase year-over-year. The Federal Reserve continues to monitor these increases to ensure that inflation remains under control.

### Portfolio Composition

The table below provides a summary of the City's total investment portfolio as of June 30, 2014. The Investment Portfolio (\$190,813,695), Cash/Time Deposits (\$26,646,089) and Bank Trustee/Fiduciary Funds (\$66,052,519) continue to be invested in accordance with the Government Code, bond covenants and the Council Investment Policy as adopted on October 28, 2014.

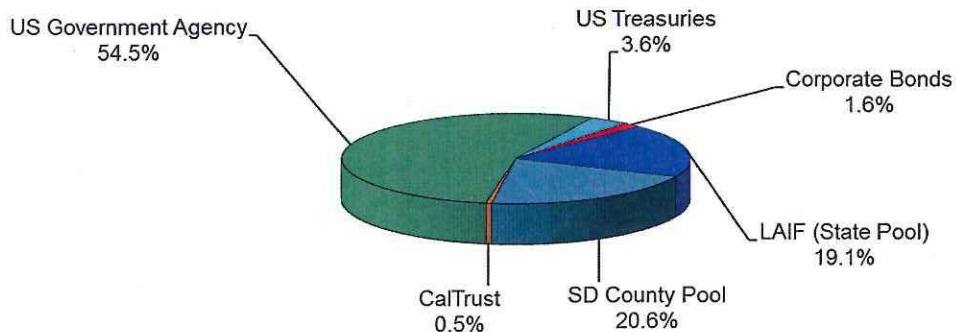
**Summary of Cash and Investments as of September 30, 2014**

Investment Type	Par Value	Market Value	Book Value	% of Portfolio
<b>Investment Portfolio</b>				
Federal Securities	110,885,000	110,210,546	111,003,375	39.18%
Pooled Investments	76,928,695	76,935,318	76,928,695	27.15%
Corporate Bonds	3,000,000	2,993,340	2,998,755	1.06%
Subtotal	190,813,695	190,139,204	190,930,826	66.33%
<b>Cash/Time Deposits</b>	<b>\$26,327,514</b>	<b>\$26,327,514</b>	<b>\$26,327,514</b>	<b>9.29%</b>
<b>Total Cash &amp; Investments Held by the City</b>	<b>\$217,141,209</b>	<b>\$216,466,718</b>	<b>\$217,258,340</b>	<b>76.69%</b>
<b>Held by Bank Trustee/Fiduciary Funds (1)</b>				
U. S. Government	0	0	0	0.00%
Investment Agreements	13,288,533	13,288,533	13,288,533	4.69%
Mutual Funds	51,965,007	51,965,472	51,965,007	18.34%
Cash with Fiscal Agents	42,345	42,345	42,345	0.01%
Restricted Cash	756,634	756,634	756,634	0.27%
<b>Total Held by Bank Trustee/Fiduciary Funds</b>	<b>\$66,052,519</b>	<b>\$66,052,984</b>	<b>\$66,052,519</b>	<b>23.31%</b>
<b>Total Portfolio</b>	<b>\$283,193,729</b>	<b>\$282,519,702</b>	<b>\$283,310,859</b>	<b>100.00%</b>

(1) Reflects bond proceeds held by trustee in accordance with bond covenants.

The graph below provides a snapshot of the portfolio composition by investment type for that portion of the portfolio not held by the bank trustee or in a fiduciary fund.

**Portfolio Composition  
as of September 30, 2014  
(\$190.8M Total Par Value)**



Portfolio Performance

The summary information provided below includes the total portfolio income recognized for the last quarter as compared to the prior quarter and the same quarter one year ago.

**Total Portfolio Income Recognized**  
Accrual Basis

	September 30, 2014	June 30, 2014	September 30, 2013
<b>Quarter-End</b>			
Net Interest Earnings	\$ 325,768	\$ 335,343	334,257
Net Gains (Losses) from Sales	\$ -	\$ -	
Net Total Income Recognized	\$ 325,768	\$ 335,343	\$ 334,257
<b>Fiscal Year-to-Date</b>			
Net Interest Earnings	\$ 325,768	\$ 1,344,119	\$ 334,257
Net Gains (Losses) from Sales	\$ -	\$ -	\$ -
Net Total Income Recognized	\$ 325,768	\$ 1,344,119	\$ 334,257

Investment Activity

During the quarter, three investments totaling \$10,000,000 were redeemed by the issuers prior to their maturity dates. Public Financial Management (PFM), the City's investment advisor, recommended the purchase of two U.S. Treasuries in August having a par value of \$6,885,000. PFM also recommended the purchase of two corporate securities having a par value of \$3,000,000 in September. The corporate bonds were issued by General Electric Corporation (\$1.5 million) and Toyota Motor Credit Corporation (\$1.5 million). All investments were purchased in accordance with the City's Investment Policy guideline to ensure safety, liquidity and yield. There is no further activity to report on other than routine investments by the City's fiscal agents.

Conclusion

The total cash and investment portfolio held by the City as of September 30, 2014 was \$217,141,209. For the quarter ended September 30, 2014, the earned interest yield was 0.68%, which is unchanged from the previous quarter.

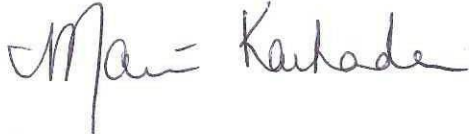
The weighted average maturity as of September 30, 2014 is 1.69 years which is a decrease from the previous quarter's 1.88 years and is within the Council Policy of less than 5.0 years. The weighted average maturity remains sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated.

Considering the projected timing of cash receipts and disbursements and the structure of the Pooled Investment Portfolio, the City should be able to comfortably meet overall cash flow needs over the next six months. There is no direct fiscal impact by this action.

I certify that this report reflects the City of Chula Vista and related agencies pooled investments and is in conformity with the State of California Government Code on authorized investments and

with the Investment Policy of the City of Chula Vista as stated in Resolution No. 2014-191 dated October 28, 2014.

Respectfully submitted,

A handwritten signature in cursive script that reads "Maria Kachadoorian". The signature is written in dark ink and is positioned above the printed name.

Maria Kachadoorian  
Deputy City Manager/Chief Financial Officer