



CITY COUNCIL AGENDA STATEMENT



May 21, 2019

File ID: 19-0264

TITLE

- A. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ACKNOWLEDGING RECEIPT OF COUNCIL POLICY NO. 220-01, THE CITY OF CHULA VISTA INVESTMENT POLICY AND GUIDELINES; AMENDING THE EXISTING POLICY; AND DELEGATING INVESTMENT ACTIVITY AUTHORITY TO THE DIRECTOR OF FINANCE/TREASURER

- B. INVESTMENT REPORT FOR THE QUARTER ENDED MARCH 31, 2019

RECOMMENDED ACTION

Council adopt the resolution and accept the report.

SUMMARY

Per California Government Code Section 53607, on an annual basis the City Council may delegate to the City Treasurer the authority to conduct the investment activities of the City. And per Government Code Section 53646, the City Treasurer may annually present the City's Investment Policy to the City Council to reaffirm or make any changes to the existing policy. The Investment Policy provides guidelines for the investment of idle funds and affords the City various investment opportunities, as long as the investment is deemed prudent and is allowable under Government Code Section 53600, et seq. The Policy was reviewed and adopted by City Council on May 22, 2018. At this time, staff is recommending changes to the policy to clarify policy requirements, incorporate changes made to the California Government Code, and include or update Government Code references.

Transmitted herewith is the City's investment report for the quarter ended March 31, 2019. To meet the reporting requirements set forth in the California Government Code Sections 53600 et seq. and the City of Chula Vista Investment Policy and Guidelines, a separate report was distributed to the City Council in April.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable

DISCUSSION

Investment Policy

The City's Investment Policy and Guidelines was last amended on May 22, 2018 by Resolution 2018-090 and was intended to provide direction for the prudent investment of temporarily idle cash, and for maximizing the efficiency of the cash management process. The stated goal is to enhance the economic condition of the City while ensuring the safety of funds invested. The policy includes a list of specific investment instruments available under the relevant California Government Code section 53600, et seq. Each investment transaction is made in the context of first ensuring the "safety" of principal, second, investing only for that timeframe that the cash is not needed for operational purposes ("liquidity"), and last seeking the highest return possible ("yield") provided that the first two factors are met.

Per section 18.0 of the Investment Policy, each fiscal year the Finance Director/Treasurer shall provide a copy of the Policy for adoption by the City Council. At this time, staff is recommending changes to the policy to clarify policy requirements, incorporate changes made to the California Government Code, and include or update Government Code references.

Quarterly Investment Report

The total cash and investment portfolio held by the City as of March 31, 2019 was \$336,584,775 and total cash and investments held by the trustees was \$106,244,780.

The cash and investments held by the City are composed of the following components: Managed Investment Portfolio (\$258,970,213), State of CA Local Agency Investment Fund (\$40,699,691), County of San Diego Pooled Investment Fund (\$10,554,500), Cash/Time Deposits (\$24,532,702), and accrued interest on investment (\$1,827,669). Cash and investments held by the City and the trustees continue to be invested in accordance with the Government Code and the Council Investment Policy as adopted by Resolution 2018-090 on May 22, 2018.

During the quarter, eleven investments matured totaling \$23,246,000. In order to maximize investment earnings, \$4,000,000 was transferred from the City's Bank of America checking account to Bank of New York Mellon and used for investment purchases. In addition, approximately \$39,000,000 in short term excess cash was transferred from Bank of America to the State of California Local Agency Investment Fund (LAIF) in order to maximize interest earnings on the excess cash. The funds from the matured investments and transfer to Bank of New York Mellon were utilized to purchase nineteen new securities. Those investment purchases include: five federal agency bonds (\$15,550,000); five corporate notes (\$13,081,000); and nine certificates of deposit (\$2,223,000). Accrued interest on investments totaled \$1,827,669 for the quarter.

Finance staff continued to manage the portfolio and work with multiple broker/dealers for investment purchases throughout the quarter. Ongoing portfolio management activity will continue to be performed

in-house by the Director of Finance and finance staff. There is no further activity to report on other than routine investments by the City's Finance Department.

At both the January and March meetings, the Federal Open Market Committee (FOMC) decided to maintain the federal funds rate at its current target range of 2.25% to 2.50%. In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate.

Two-year Treasuries yielding 2.48% at the beginning of the quarter ended lower at the end of the quarter at 2.27%, which was a decrease of 21 basis points for the quarter.

As of March 31, 2019, the weighted yield to maturity on the Managed Investment Portfolio was 2.58%, which was an increase of 5 basis points from the previous quarter. The City's investment portfolio continued to outperform the two-year treasury yield this quarter.

At the end of this quarter, the weighted average maturity of the Managed Investment Portfolio was 1.87 years, which is a decrease from 1.98 the previous quarter and is within the Council Policy.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code Section 87100, et seq).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

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.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact by this action.

ATTACHMENTS

1. Summary of Cash and Investments as of March 31, 2019
2. Investment Report for the Quarter Ended March 31, 2019
3. Council Policy 220-01 *Investment Policy and Guidelines*

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