



CITY COUNCIL AGENDA STATEMENT



May 26, 2020

File ID: 20-0186

TITLE

INVESTMENT REPORT FOR THE QUARTER ENDED MARCH 31, 2020

RECOMMENDED ACTION

Council receive the report.

SUMMARY

Transmitted herewith is the City's investment report for the quarter ended March 31, 2020. 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 activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

The total cash and investment portfolio held by the City as of March 31, 2020 was \$400,294,091 and total cash and investments held by the trustees was \$56,681,575.

The cash and investments held by the City include the following components: Managed Investment Portfolio (\$337,059,403), State of CA Local Agency Investment Fund (\$32,743,362), County of San Diego Pooled Investment Fund (\$10,862,978), Cash/Time Deposits (\$17,424,032), and accrued interest on investment (\$2,204,316). 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 2020-024 on February 18, 2020.

In order to maximize investment earnings during this quarter, \$32,045,000 in short term excess cash was transferred from the City's Bank of America account with \$30,045,000 of it transferred to Bank of New York Mellon and \$2,000,000 transferred to the State of California Local Agency Investment Fund (LAIF).

During the quarter, eighteen investments matured totaling \$23,615,000. The funds from the matured investments and transfers to Bank of New York Mellon were utilized to purchase eighty-seven new securities. Those investment purchases include: fifty-five certificates of deposit (\$13,669,000); sixteen corporate notes (\$23,054,000); nine federal agency bonds (\$19,700,000); four municipal bonds (\$3,655,000); two asset-backed securities (\$2,060,000); and one supranational (\$2,000,000).

Two-year Treasuries yielding 1.58% at the beginning of the quarter ended lower at the end of the quarter at 0.23%, which was a decrease of 135 basis points for the quarter. The City's investment portfolio continued to outperform the two-year treasury yield this quarter.

As of March 31, 2020, the Weighted Yield to Maturity on the Managed Investment Portfolio was 2.36%, which was a decrease of 13 basis points from the previous quarter.

At the end of this quarter, the Weighted Average Maturity of the Managed Investment Portfolio was 2.48 years, which was a very slight decrease from 2.49 the previous quarter and is within the Council Policy.

The Federal Open Market Committee (FOMC) meets approximately every six weeks and determines the level of the Federal Funds Rate. At their end of January meeting, the FOMC voted to maintain the Federal Funds Rate target range at its current level of 1.50% to 1.75%. Due to the sudden and severe economic impacts resulting from the coronavirus pandemic, which has spread exponentially since the beginning of the year, the FOMC held an emergency meeting the beginning of March, and at that time, decreased the Federal Funds Rate target range by 0.50 basis points to a new range of 1.00% to 1.25%. A subsequent emergency meeting was held by the FOMC in mid-March. At that meeting the Federal Funds Rate target range was dropped to a range of 0.00% to 0.25%. This is the lowest the Federal Funds Rate can be without going negative and the lowest range it has been since the period of 2008-2015. The next official meeting of the FOMC will be on April 29th.

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.

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 § 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, 2020
2. Investment Report for the Quarter Ended March 31, 2020

Staff Contact: David Bilby, Director of Finance/Treasurer, Finance Department
Lisa Partee, Fiscal and Management Analyst, Finance Department