



# CITY COUNCIL AGENDA STATEMENT



February 18, 2020

File ID: 20-0044

## 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 DECEMBER 31, 2019

## RECOMMENDED ACTION

Council adopt the resolution and receive 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 21, 2019. At this time, staff is recommending changes to the policy to update outdated and/or unnecessary requirements for financial institutions and broker/dealers, increase the maximum allowable investment balance in the Local Agency Investment Fund (LAIF) to match the California State Treasury's recent policy revision, and add two Finance staff personnel to the authorized designee list relating to the wiring of City funds.

Transmitted herewith is the City's investment report for the quarter ended December 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 January.

## 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**

### Investment Policy

The City's Investment Policy and Guidelines was last amended on May 21, 2019 by Resolution 2019-086 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 update outdated and/or unnecessary requirements for financial institutions and broker/dealers, increase the maximum allowable investment balance in the Local Agency Investment Fund (LAIF) to match the California State Treasury's recent policy revision, and add two Finance staff personnel to the authorized designee list relating to the wiring of City funds.

### Quarterly Investment Report

The total cash and investment portfolio held by the City as of December 31, 2019 was \$370,051,035 and total cash and investments held by the trustees was \$80,663,435.

The cash and investments held by the City are composed of the following components: Managed Investment Portfolio (\$296,078,654), State of CA Local Agency Investment Fund (\$39,599,094), County of San Diego Pooled Investment Fund (\$10,805,977), Cash/Time Deposits (\$21,301,567), and accrued interest on investment (\$2,265,743). 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 2019-086 on May 21, 2019.

During the quarter, seventeen investments matured totaling \$37,147,000. The funds from the matured investments were utilized to purchase thirty-nine new securities. Those investment purchases include: eight federal agency bonds (\$22,000,000); sixteen municipal bonds (\$14,360,000); thirteen certificates of deposit (\$3,233,000); and two asset-backed securities (\$2,600,000). In addition, \$18,000,000 of short term excess cash was transferred from the City's Bank of America account to the State of California Local Agency Investment Fund (LAIF) in order to maximize investment earnings 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.

In October, the Federal Open Market Committee (FOMC) lowered the Federal Funds Rate target range by .25 basis points, taking it down to 1.50% to 1.75%. This was the third consecutive .25 basis point lowering of the Federal Funds Rate target range, which was considered by many to be highly unusual. At the December 11<sup>th</sup> meeting, the FOMC decided to maintain the target range for the Federal Funds Rate at its current range of 1.50% to 1.75%. Going forward, the Committee will continue to monitor the implications of incoming information for the economic outlook, including global developments and muted inflation pressures, as it assesses the appropriate path of the target range for the Federal Funds Rate.

Two-year Treasuries yielding 1.63% at the beginning of the quarter ended lower at the end of the quarter at 1.58%, which was a decrease of 5 basis points for the quarter.

As of December 31, 2019, the Weighted Yield to Maturity on the Managed Investment Portfolio was 2.49%, which was a decrease of 3 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 2.49 years, which is an increase from 2.31 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 § 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 December 31, 2019
2. Investment Report for the Quarter Ended December 31, 2019

3. Council Policy 220-01 Investment Policy and Guidelines

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