



Investment Report for the Quarter Ended June 30, 2014

September 11, 2014

Honorable Mayor and City Council,

I am pleased to present this report of investment activity for the quarter ended June 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 June 30, 2014 as well as provides a comparison to the quarters ended June 30, 2013 and March 31, 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 0.44% at the beginning of the quarter ended slightly higher at the end of the quarter at 0.47%.

The overall consumer price index (CPI) rose 2.1% on a year-over-year basis, and the core CPI (excluding food and energy) showed a 1.9% 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 (\$193,869,838), Cash/Time Deposits (\$49,426,895) and Bank Trustee/Fiduciary Funds (\$69,488,708) continue to be invested in accordance with the Government Code, bond covenants and the Council Investment Policy as adopted on March 11, 2014.

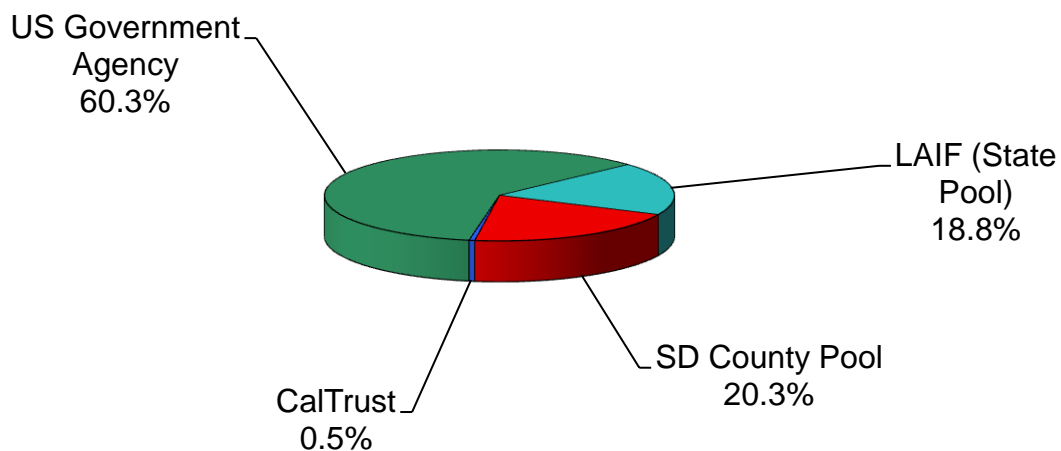
Summary of Cash and Investments as of June 30, 2014

Investment Type	Par Value	Market Value	Book Value	% of Portfolio
Investment Portfolio				
Federal Securities	117,000,000	116,480,920	116,998,500	37.41%
Pooled Investments	76,869,838	76,881,417	76,869,838	24.58%
Corporate Bonds	0	0	0	0.00%
Subtotal	193,869,838	193,362,337	193,868,338	61.98%
Cash/Time Deposits	\$49,426,895	\$49,426,895	\$49,426,895	15.80%
Total Cash & Investments Held by the City	\$243,296,733	\$242,789,232	\$243,295,233	77.78%
Held by Bank Trustee/Fiduciary Funds (1)				
U. S. Government	0	0	0	0.00%
Investment Agreements	13,538,230	13,538,230	13,538,230	4.33%
Mutual Funds	55,091,898	55,092,711	55,091,898	17.61%
Cash with Fiscal Agents	105,045	105,045	105,045	0.03%
Restricted Cash	753,535	753,535	753,535	0.24%
Total Held by Bank Trustee/Fiduciary Funds	\$69,488,708	\$69,489,521	\$69,488,708	22.22%
Total Portfolio	\$312,785,442	\$312,278,752	\$312,783,942	100.00%

(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 June 30, 2014
(\$193.9M 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

	June 30, 2014		March 31, 2014		June 30, 2013
Quarter-End					
Net Interest Earnings	\$ 335,343	\$	340,637		305,221
Net Gains (Losses) from Sales	\$ -	\$	-		
Net Total Income Recognized	\$ 335,343	\$	340,637	\$	305,221
Fiscal Year-to-Date					
Net Interest Earnings	\$ 1,344,119	\$	1,004,008	\$	1,336,534
Net Gains (Losses) from Sales	\$ -	\$	-	\$	-
Net Total Income Recognized	\$ 1,344,119	\$	1,004,008	\$	1,336,534

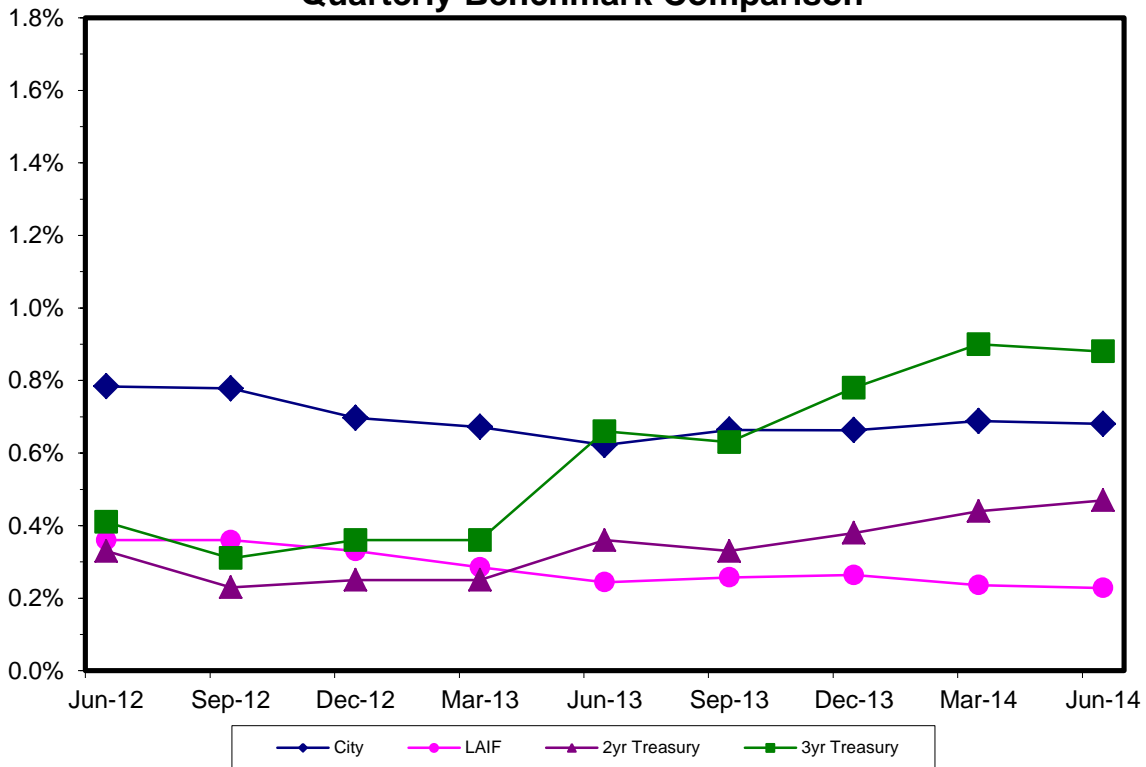
This table shows the City's average yield to maturity as of June 30, 2014 as compared to the County of San Diego and other cities in the county. Carlsbad and Oceanside both have dedicated staff and consultants that actively manage their portfolios by buying and selling investments daily as opposed to our more passive "hold-to-maturity" investment style. Liquidity needs and risk tolerance can also affect yields.

Agency	Yield
Chula Vista	0.69%
County of San Diego	0.39%
Carlsbad	1.06%
El Cajon	0.71%
Oceanside	0.94%
San Diego	0.34%

Benchmark Comparison

The following graph compares the monthly earned interest yield of the City's Portfolio Fund with the monthly average yields for the same period of the State of California Local Agency Investment Fund (LAIF) and the two-year and three-year treasury from June 2012 through June 2014.

Quarterly Benchmark Comparison



Per Section 16.1 of the City’s Investment Policy, the Agency Investment Fund yields are the performance benchmarks to be used when determining whether market yields are being achieved. The three-year U.S. Treasury is added as an additional point of reference in order to provide an upper range that is above the weighted average maturity of the City’s portfolio, which is at 687 days.

two-year U.S. Treasury and the Local

Benchmark	Yield	ADM
City	0.68%	687
LAIF	0.23%	232
2 Year Treasury	0.47%	730
3 Year Treasury	0.88%	1,095
ADM = Average Days to Maturity		

Investment Activity

During the quarter, two investments totaling \$8,000,000 were redeemed by the issuers prior to their maturity dates. These amounts were not reinvested in securities and were allowed to remain as cash in the pool. Liquidity was increased in the pool in anticipation of hiring PFM Asset Management (approved June 17, 2014). These monies represent pooled cash received from various funding sources such as sewer, TDIF, PAD, General Fund, etc. There is no further activity to report on other than routine investments in money market mutual funds by the City’s fiscal agents.

Conclusion

The total cash and investment portfolio held by the City as of June 30, 2014 was \$243,296,733. For the quarter ended June 30, 2014, the earned interest yield was 0.68%, which is a small decrease from the 0.69% reported for the previous quarter.

The weighted average maturity as of June 30, 2014 is 1.88 years which is a decrease from the previous quarter's 2.07 years and is within the Council Policy of less than 3.0 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. 2014-039 dated March 11, 2014.

Respectfully submitted,

Maria Kachadoorian
Deputy City Manager/Chief Financial Officer