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## Investment Report for the Quarter Ended December 31, 2013

February 20, 2014

Honorable Mayor and City Council,

I am pleased to present this report of investment activity for the quarter ended December 31, 2013 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 December 31, 2013 as well as provides a comparison to the quarters ended September 30, 2013 and December 31, 2012.

### 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 0.33% at the beginning of the quarter increased to 0.38% by the end of the quarter.

The overall consumer price index (CPI) rose 1.5% on a year-over-year basis, and the core CPI (excluding food and energy) showed a 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 December 31, 2013. The Investment Portfolio (\$189,759,734), Cash/Time Deposits (\$16,222,047) and Bank Trustee/Fiduciary Funds (\$65,518,015) continue to be invested in accordance with the Government Code, bond covenants and the Council Investment Policy as adopted on February 26, 2013.

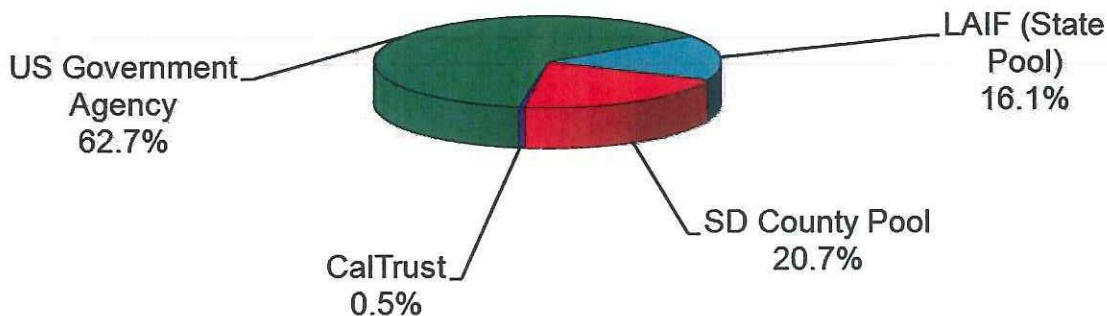
**Summary of Cash and Investments as of December 31, 2013**

| Investment Type                                      | Par Value            | Market Value         | Book Value           | % of Portfolio |
|--|----------------------|----------------------|----------------------|----------------|
| <b>Investment Portfolio</b>                          |                      |                      |                      |                |
| Federal Securities                                   | 119,000,000          | 117,595,540          | 118,998,500          | 43.83%         |
| Pooled Investments                                   | 70,759,734           | 70,847,366           | 70,759,734           | 26.06%         |
| Corporate Bonds                                      | 0                    | 0                    | 0                    | 0.00%          |
| Subtotal   | 189,759,734          | 188,442,906          | 189,758,234          | 69.89%         |
| <b>Cash/Time Deposits</b>                            | <b>\$16,222,047</b>  | <b>\$16,222,047</b>  | <b>\$16,222,047</b>  | <b>5.98%</b>   |
| <b>Total Cash &amp; Investments Held by the City</b> | <b>\$205,981,781</b> | <b>\$204,664,953</b> | <b>\$205,980,281</b> | <b>75.87%</b>  |
| <b>Held by Bank Trustee/Fiduciary Funds (1)</b>      |                      |                      |                      |                |
| U. S. Government                                     | 0                    | 0                    | 0                    | 0.00%          |
| Repurchase Agreement                                 |                      |                      |                      | 0.00%          |
| Investment Agreements                                | 13,538,230           | 13,538,230           | 13,538,230           | 4.99%          |
| Mutual Funds   | 49,137,386           | 49,138,122           | 49,137,386           | 18.10%         |
| Cash with Fiscal Agents                              | 2,094,981            | 2,094,981            | 2,094,981            | 0.77%          |
| Restricted Cash                                      | 747,418              | 747,418              | 747,418              | 0.28%          |
| <b>Total Held by Bank Trustee/Fiduciary Funds</b>    | <b>\$65,518,015</b>  | <b>\$65,518,751</b>  | <b>\$65,518,015</b>  | <b>24.13%</b>  |
| <b>Total Portfolio</b>                               | <b>\$271,499,796</b> | <b>\$270,183,704</b> | <b>\$271,498,296</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 December 31, 2013  
(\$189.8M 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

|                               | December 31, 2013 | September 30, 2013 | December 31, 2012 |
|-------------------------------|-------------------|--------------------|-------------------|
| <b>Quarter-End</b>            |                   |                    |                   |
| Net Interest Earnings         | \$ 326,663        | \$ 334,257         | \$ 326,555        |
| Net Gains (Losses) from Sales | \$ -              | \$ -               | \$ -              |
| Net Total Income Recognized   | \$ 326,663        | \$ 334,257         | \$ 326,555        |
| <b>Fiscal Year-to-Date</b>    |                   |                    |                   |
| Net Interest Earnings         | \$ 660,920        | \$ 334,257         | \$ 707,596        |
| Net Gains (Losses) from Sales | \$ -              | \$ -               | \$ -              |
| Net Total Income Recognized   | \$ 660,920        | \$ 334,257         | \$ 707,596        |

*This info comes from the monthly Sympro "Interest Earnings Summary" reports.*

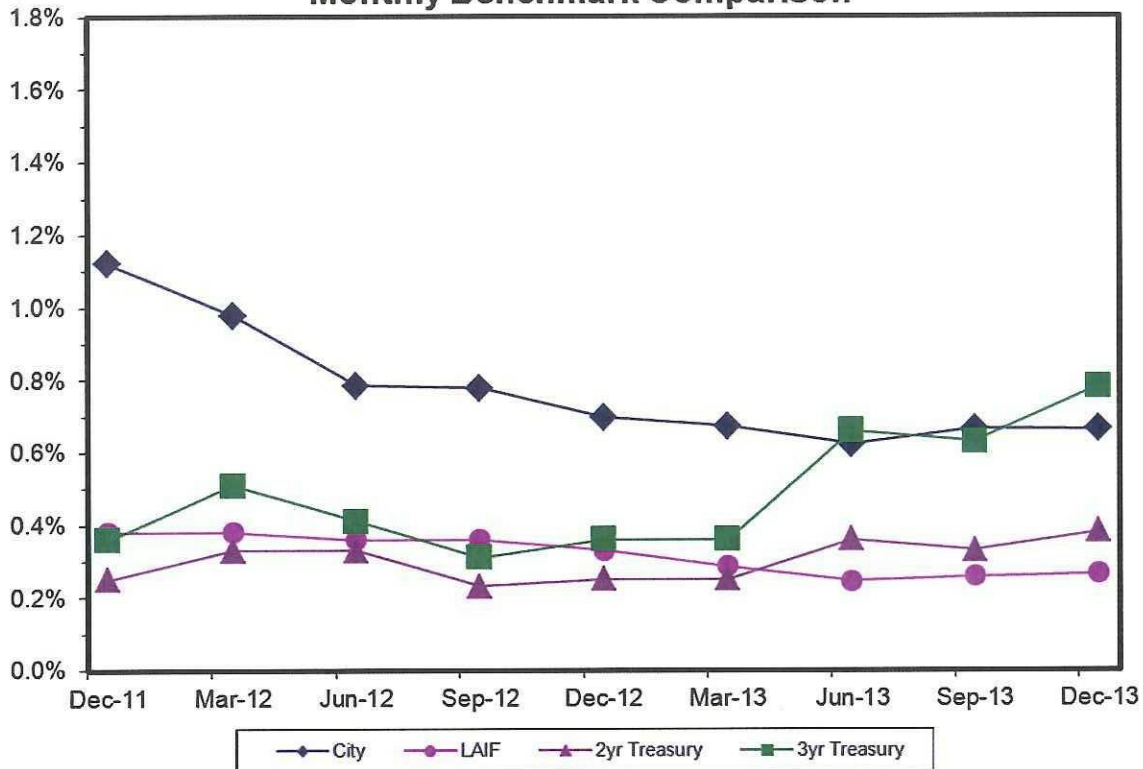
This table shows the City's average yield to maturity as of December 31, 2013 as compared to the County of San Diego and other cities in the county. Carlsbad and Oceanside both have dedicated staff and consultants that actively manage their portfolios by buying and selling investments daily as opposed to our more passive "hold-to-maturity" investment style. Liquidity needs and risk tolerance can also affect yields.

| Agency              | Yield |
|---------------------|-------|
| Chula Vista         | 0.66% |
| County of San Diego | 0.27% |
| Carlsbad            | 1.04% |
| El Cajon            | 0.49% |
| Oceanside           | 0.93% |
| San Diego           | 0.48% |

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 December 2011 through December 2013.

### Monthly Benchmark Comparison



Per Section 16.1 of the City's Investment Policy, the two-year U.S. Treasury and the Local 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 775 days.

| Benchmark                      | Yield | ADM   |
|--------------------------------|-------|-------|
| City                           | 0.66% | 775   |
| LAIF                           | 0.26% | 209   |
| 2 Year Treasury                | 0.38% | 730   |
| 3 Year Treasury                | 0.78% | 1,095 |
| ADM = Average Days to Maturity |       |       |

#### Investment Activity

During the quarter, two investments totaling \$6,000,000 were redeemed prior to their maturity dates. These monies represent pooled cash received from various funding sources such as sewer, TDIF, PAD, General Fund, etc. On the buy side, one Federal Agency Security totaling \$3,000,000 was purchased using the City's Investment Policy guidelines to ensure safety, liquidity and yield. 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 December 31, 2013 was \$205,981,781. For the quarter ended December 31, 2013, the earned interest yield was 0.66%, which is no change from the previous quarter.

The weighted average maturity as of December 31, 2013 was 2.12 years which was a small decrease from the previous quarter's 2.18 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. 2013-020 dated February 26, 2013.

Respectfully submitted,



Maria Kachadoorian  
Director of Finance/Treasurer