



CITY COUNCIL AGENDA STATEMENT



February 16, 2021

File ID: 21-0014

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, 2020

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 February 18, 2020. At this time, staff is recommending changes to the policy to clarify Section 9.0, Authorized and Suitable Investments, as it relates to the investment types Commercial Paper and Money Market Funds.

Transmitted herewith is the City's investment report for the quarter ended December 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 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 February 18, 2020 by Resolution 2020-024 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 Section 9.0, Authorized and Suitable Investments, as it relates to the investment types Commercial Paper and Money Market Funds. The proposed amendment to the Investment Policy is reflected in redline on Attachment 3 to this Staff Report.

Quarterly Investment Report

The total cash and investment portfolio held by the City as of December 31, 2020 was \$398,907,603 and total cash and investments held by the trustees was \$47,775,389.

The cash and investments held by the City are composed of the following components: Managed Investment Portfolio (\$268,472,538), State of CA Local Agency Investment Fund (\$70,589,078), County of San Diego Pooled Investment Fund (\$22,007,262), Cash/Time Deposits (\$36,055,533), and accrued interest on investment (\$1,783,193). 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.

During the quarter, eight investments matured totaling \$15,998,000. A portion of the funds from the matured investments was utilized to purchase five municipal bonds (\$5,435,000).

Incoming transfers to the City's Bank of America account totaled (\$18,600,000) for the quarter and included (\$4,000,000) from the State of CA Local Agency Investment Fund and (\$14,600,000) from Bank of New York Mellon with (\$6,000,000) of those funds subsequently sent to the County of San Diego Pooled Investment Fund for investment purposes. The balance of funds from the incoming transfers (\$12,600,000) was utilized to cover the City's operating expenses.

Two-year Treasuries yielding 0.13% at the beginning of the quarter ended the quarter at the same 0.13% yield. The City's investment portfolio continued to outperform the two-year treasury yield this quarter.

As of December 31, 2020, the Weighted Yield to Maturity on the Managed Investment Portfolio was 2.20%, which was a decrease of 2 basis points from the previous quarter.

At the end of this quarter, the Weighted Average Maturity of the Managed Investment Portfolio was 2.14 years, which decreased from 2.35 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 November 5 and December 16 meetings, the FOMC voted to maintain the Federal Funds Rate target range at its current level of 0.00% to 0.25%.

The United States and the rest of the world continue to deal with the COVID-19 pandemic, which has caused tremendous human and economic hardship. The following excerpts are from the statement issued by the FOMC following their December 16 meeting. "...Economic activity and employment have continued to recover but remain well below their levels at the beginning of the year. Weaker demand and earlier declines in oil prices have been holding down consumer price inflation. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses. The path of the economy will depend significantly on the course of the virus. The ongoing public health crisis will continue to weigh on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term..."

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 December 31, 2020
2. Investment Report for the Quarter Ended December 31, 2020
3. Council Policy 220-01 Investment Policy and Guidelines, reflecting proposed amendment

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