



CITY COUNCIL AGENDA STATEMENT



December 3, 2019

File ID: 19-0528

TITLE

INVESTMENT REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2019

RECOMMENDED ACTION

Council receive the report.

SUMMARY

Transmitted herewith is the City's investment report for the quarter ended September 30, 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 October.

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 September 30, 2019 was \$352,119,355 and total cash and investments held by the trustees was \$94,622,680.

The cash and investments held by the City are comprised of the following components: Managed Investment Portfolio (\$294,464,162), State of CA Local Agency Investment Fund (\$21,395,044), County of San Diego Pooled Investment Fund (\$10,745,590), Cash/Time Deposits (\$23,420,298), and accrued interest on investment (\$2,094,261). 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.

In order to maximize investment earnings during this quarter, \$4,500,000 was transferred from the City's Bank of America account with \$500,000 transferred to Bank of New York Mellon and \$4,000,000

transferred to Neighborhood National Bank. The funds transferred to Neighborhood National Bank were used to open a Placement Service Deposit (CDARS) consisting of multiple certificates of deposit. In addition to those transactions, \$30,000,000 was transferred from the State of California Local Agency Investment Fund (LAIF) and used for the City's operating expenses, which included a \$21,523,397 prepayment to CalPERS.

During the quarter, twenty-six investments matured totaling \$69,314,000. The funds from the matured investments and transfer to Bank of New York Mellon were utilized to purchase seventy new securities. Those investment purchases include: forty-eight certificates of deposit (\$11,935,000); ten federal agency bonds (\$32,719,000); ten corporate notes (\$15,743,000); and two municipal bonds (\$5,500,000).

Finance staff continued to manage the portfolio and work with multiple broker/dealers for investment purchases throughout this 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.

Twice this quarter, the Federal Open Market Committee (FOMC) decided to lower the Federal Funds Rate target range by .25 basis points. In July, the target range was lowered to 2.0% to 2.25%. In September, the target range was lowered to 1.75% to 2.00%. Subsequent to the end of the quarter, a third consecutive .25 basis point lowering of the Federal Funds Rate target range occurred today. This reduction of the Federal Funds Rate target range by the FOMC is seen as highly unusual. Going forward, the Committee will continue to monitor the implications of incoming information for the economic outlook as it assesses the appropriate path of the target range for the Federal Funds Rate.

Two-year Treasuries yielding 1.75% at the beginning of the quarter ended lower at the end of the quarter at 1.63%, which was a decrease of 12 basis points for the quarter.

As of September 30, 2019, the Weighted Yield to Maturity on the Managed Investment Portfolio was 2.52%, which was a decrease of 10 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 2.31 years, which is an increase from 2.10 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 September 30, 2019
2. Investment Report for the Quarter Ended September 30, 2019

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