



City of Chula Vista

Staff Report

File#: 15-0626, **Item#:** 9.

INVESTMENT REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2015

RECOMMENDED ACTION

Council accept the report.

SUMMARY

Transmitted herewith is the City's investment report for the quarter ended September 30, 2015. 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 July.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" in accordance with Section 15378(b)(5) of the State CEQA Guidelines because it involves only acceptance of the Quarterly Investment Report; therefore it is an organizational or administrative activity of government that will not result in a direct or indirect physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

BOARD/COMMISSION RECOMMENDATION

Not Applicable

DISCUSSION

The total cash and investment portfolio held by the City as of September 30, 2015 was \$225,792,694 and total cash and investments held by trustees was \$75,036,187.

The cash and investments held by the City are composed of the following components: Cash/Time Deposits (\$16,455,924), Managed Investment Portfolio (\$153,889,095), State of CA Local Agency Investment Fund (\$11,626,808), and County of San Diego Pooled Investment Fund (\$39,542,343). 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 2015-041 on March 3, 2015.

In June 2015, staff reviewed the City's cash flow forecasts and made the determination that excess cash was being held in the City's Cash/Time Deposits and LAIF accounts. In order to maximize investment income, the City transferred \$40,000,000 from Cash/Time Deposits and LAIF into our Managed Investment Portfolio. This should result in an additional \$600,000 of interest income which will be spread to the various funds held within the investment pool.

During the quarter, three investments totaling \$11,000,000 were redeemed by the issuers prior to their maturity dates. Fourteen purchases were made to replace those investments. Purchased investments include a certificate of deposit issued by Rabobank (\$2.4 million), six corporate notes issued by: Chevron (\$1.5 million); IBM (\$1.5 million); JP Morgan Chase (\$1.5 million); Apple Inc. (\$1.5 million); American Express (\$1.5 million); Cisco Systems (\$1.5 million); and US Treasury Notes (\$9.615 million). Public Financial Management (PFM), the City's investment advisor, continues to monitor the portfolio and will make recommendations as financial and economic conditions warrant. There is no further activity to report on other than routine investments by the City's fiscal agents.

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 0.65% at the beginning of the quarter ended lower at the end of the quarter at 0.63%.

As of September 30, 2015, the Yield to Maturity at Cost on the Managed Investment Portfolio was 1.15%, which is an increase of 0.10% from the previous quarter.

At the end of this quarter, the weighted average maturity of the Managed Investment Portfolio was 2.56 years which is a small increase from 2.51 of 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 500-foot rule found in California Code of Regulations section 18704.2 (a)(1), is not applicable to this decision. 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.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The investment portfolio supports the Operational Excellence goal as it seeks to maintain the safety and liquidity of the City's cash while contributing investment earnings to the bottom line.

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. The additional funds being transferred into the Managed Investment Pool will result in approximately \$600,000 in additional interest allocated across all funds in Fiscal Year 2015-2016.

ONGOING FISCAL IMPACT

The exact impact of the additional funds invested is unknown in future fiscal years as a result of changes in economic conditions. The Finance Department will continue to monitor the cash flow needs of the City and actively invest surplus proceeds whenever possible.

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ATTACHMENTS

Summary of Cash and Investments as of September 30, 2015
PFM Investment Report for the Quarter Ended September 30, 2015

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