



City of Chula Vista

Staff Report

File#: 18-0061, **Item#:** 4.

INVESTMENT REPORT FOR THE QUARTER ENDED DECEMBER 31, 2017

RECOMMENDED ACTION

Council accept the report.

SUMMARY

Transmitted herewith is the City's investment report for the quarter ended December 31, 2017. 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

Environmental Notice

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.

Environmental Determination

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 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 December 31, 2017 was \$222,676,453 and total cash and investments held by the trustees was \$156,126,894.

The cash and investments held by the City are composed of the following components: Managed Investment Portfolio (\$151,676,446), State of CA Local Agency Investment Fund (\$1,661,174), County of San Diego Pooled Investment Fund (\$52,466,692), Cash/Time Deposits (\$17,154,181), and accrued interest on investment (\$787,241). As of December 31, 2017, unrealized loss on the Managed Investment Portfolio and Pooled Investments was (\$1,069,281). 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 2017-078 on May 23, 2017.

During the quarter, four investments matured totaling \$10,000,000. Four purchases were made to replace those investments and invest idle cash. Purchased investments include: two U.S. Treasury Notes (\$6,000,000) and two commercial paper (\$4,500,000). 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.

In December, the Federal Open Market Committee (FOMC) raised the federal funds target rate by a quarter of a percent to a range of 1.25% to 1.50%. This was the third rate increase in calendar year 2017. Three rate hikes are expected for 2018.

Two-year Treasuries yielding 1.49% at the beginning of the quarter ended higher at the end of the quarter at 1.89%, which was an increase of 40 basis points for the quarter.

As of December 31, 2017, the Yield to Maturity at Cost on the Managed Investment Portfolio was 1.55%, which was an increase of four basis points from the previous quarter.

At the end of this quarter, the weighted average maturity of the Managed Investment Portfolio was 1.37 years which is a decrease from 1.57 the previous quarter and is within the Council Policy.

DECISION-MAKER CONFLICT

Staff has determined that the action contemplated by this item is ministerial, secretarial, manual, or clerical in nature and, as such, does not require the City Council members to make or participate in making a governmental decision, pursuant to California Code of Regulations Title 2, section 18704(d) (1). Consequently, this item does not present a 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.

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. There is no direct fiscal impact by this action.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact by this action.

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ATTACHMENTS

1. Summary of Cash and Investments as of December 31, 2017
2. PFM Investment Report for the Quarter Ended December 31, 2017

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