



STAFF REPORT TO THE CITY COUNCIL

DATE: Meeting of February 25, 2020

TO: Members of the City Council

SUBMITTED BY: David Biggs, City Manager
Edwin Gato, Director of Finance

SUBJECT: Accept the Investment Report for the Quarter Ending December 31, 2019

RECOMMENDED ACTION:

Accept the Investment Report for the Quarter Ending December 31, 2019.

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:

This report was presented to the Finance Commission on February 19, 2020, special meeting.

FISCAL IMPACT OF RECOMMENDATION:

This is an information report with no fiscal impact.

DISCUSSION:

This report presents the City's investment portfolio for the quarter ending December 31, 2019. It has been prepared to comply with regulations contained in California Government Code Section 53646 and City's Investment Policy. The report includes all cash and investments managed by the City. It also includes City-related investments held by bond trustees for debt service obligations as well as money held in the irrevocable trust with PARS for pension and other post-employment benefits (OPEB). The report provides information on the investment type, issuer, maturity date, cost, and current market value for each security.

The City utilizes the Local Agency Investment Fund (LAIF) as a money market fund administered by the State Treasurer. LAIF has many governmental agency participants and holds securities through its administrator. LAIF provides local agencies a way to invest cash held in treasury pool that may be withdrawn as needed on a same-day basis to meet the agency's cash flow needs while realizing interest generated by the Pooled Money Investment Account (PMIA). Moreover, the Investments held by Bond Trustees are administered in accordance with individual bond indentures.

As of December 31, 2019, the overall pooled investment portfolio average yield (before adjustments for changes in market value) was 1.66%, which is higher than the rate for two-year U.S. Treasury Note at 1.58% and just under the LAIF average monthly rate of 2.29%.

On December 31, 2019, the market value of the pooled portfolio was \$2,366 better than the book value. As the City does not intend to sell its pooled investment portfolio securities prior to maturity, this will have no effect on yield.

Investment Type	Market Value	Amount Over/(Under) Cost	Average Length of Duration	Average Yield
Cash on Hand and on Deposit	\$7,278,743	-	1	0.00%
Local Agency Investment Fund (LAIF)	37,854,040	\$2,537	1	2.29%
Irrevocable Trust (Pension)	1,713,801	-	1	1.27%
Irrevocable Trust (OPEB)	2,549,825	-	1	1.27%
Investments with Bond Trustees	25,104,283	-	1	1.81%
Total Portfolio	\$74,500,692	\$2,537	1	1.66%

The 50.81% of the total Investment Portfolio was deposited with LAIF as of December 31, 2019. LAIF has 68.28% of its investments in U.S. Treasuries and agency notes, 17.49% in CDs and bank notes, and 14.23% in other types of investments. Additional economic summaries and specific information related to each of the investment advisors and LAIF are included in the Investment Portfolio Summary Report included in Exhibit 1.

The City invests its idle cash from all operating funds on a pooled basis to maximize returns. Earnings are allocated to each fund based on the average cash balance. Total investment income for the City as of December 31, 2019 was \$663,940. The timing of revenue collections, such as property tax, business licenses, and franchise tax, affects the quarterly investment income during the year. There is adequate cash to meet expected obligations over the next six months.

Governmental Accounting Standards Board (GASB) Statement 40 requires the City to recognize the fair market value of its investments at the end of each fiscal year. The market values of investments included in this report are obtained from the State Controller's office for LAIF and from the City's registered investment managers and bond trustees for all other investments. These market valuations are subject to daily changes. The difference between market value and historical costs, known as Unrealized Investment Gains and Losses, are temporary in nature and are not cash related transactions. Since it is the City's general intention to hold its investments until maturity, when they would be redeemed at par value, any unrealized gain or loss is only reported at the end of the fiscal year in the City's Comprehensive Annual Financial Report.

Of the total cash and investments reported above, only the portions held in the City's General Fund (approximately \$8.3 million, or 11%) and Internal Service Funds (approximately \$2.4 million, or 3%) are unrestricted, although a portion of these amounts may be committed for existing obligations or designated for specific purposes. The remaining \$63.6 million, or 85%, of the City's cash and investments are restricted for specific uses, in accordance with federal, state or local agency rules and regulations.

ATTACHMENTS:

1. Quarterly Investment Report