



CITY COUNCIL STAFF REPORT



August 23, 2022

ITEM TITLE

Investment Report: Quarter Ending June 30, 2022

Report Number: 22-0235

Location: No specific geographic location

Department: Finance

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.

Recommended Action

Accept the investment report for the quarter ending on June 30, 2022.

SUMMARY

Transmitted herewith is the City’s investment report for the quarter ending June 30, 2022. To meet the reporting requirements set forth in California Government Code Section 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 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 the proposed activity consists of a governmental fiscal/administrative activity which does not result in a 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 required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

The total cash and investment portfolio held by the City as of June 30, 2022 was \$579,814,394 and total cash and investments held by the trustees was \$101,248,456.

The cash and investments held by the City are composed of the following components: Managed Investment Portfolio (\$482,958,236), State of CA Local Agency Investment Fund (\$11,806,018), County of San Diego Pooled Investment Fund (\$23,207,250), and Cash/Time Deposits (\$61,842,891). 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 2022-052 on March 1, 2022.

During the quarter, eleven investments matured, totaling \$14,538,000. Fourteen purchases were made to replace those investments and invest idle cash. Purchased investments include: Nine federal agency bonds (\$26,170,000), three corporate notes (\$9,495,000), and two municipal bonds (\$5,700,000). Finance staff continues to manage the portfolio and execute transactions as financial and economic conditions warrant. There is no further activity to report other than routine investments.

Two-year Treasuries yielding 2.28% at the beginning of the quarter ended the quarter at a yield of 2.92%.

As of June 30, 2022, the Weighted Yield to Maturity on the Managed Investment Portfolio was 1.66%, which was an increase of eight basis points from the previous quarter. Due to the rapid increase in interest rates over the last two quarters, the portfolio's Weighted Yield to Maturity falls below the current two-year treasury. Purchases are made at current market yields with fixed interest rates.

At the end of this quarter, the Weighted Average Maturity of the Managed Investment Portfolio was 2.01 years, which is a decrease from 2.12 years the prior 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. During this quarter, the FOMC met on May 4 and June 15. At their May 4 meeting, the FOMC voted to raise the Federal Funds Rate target range from 0.25%-0.50% to a range of 0.75%-1.00%. At their June 15 meeting, the Federal Funds Rate was increased to a new range of 1.50%-1.75%.

The following excerpts are from the statement issued by the FOMC following their June 15 meeting. "Overall economic activity appears to have picked up after edging down in the first quarter. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures. The invasion of Ukraine by Russia is causing tremendous human and economic hardship. The invasion and related events are creating additional upward pressure on inflation and are weighing on global economic activity. In addition, COVID-related lockdowns in China are likely to exacerbate supply chain disruptions. The Committee is highly attentive to inflation risks. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 1-1/2 to 1-3/4 percent and anticipates that ongoing increases in the target range will be appropriate...In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals...."

Considering the projected timing of cash receipts and disbursements and the structure of the Pooled Investment Portfolio, the City will be able to comfortably meet overall cash flow needs over the next six months.

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 June 30, 2022
2. Investment Report for the Quarter Ended June 30, 2022

Staff Contact: Sarah Schoen, Director of Finance/Treasurer

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