



# CITY COUNCIL STAFF REPORT



**December 6, 2022**

## **ITEM TITLE**

Investment Report: Quarter Ending September 30, 2022

**Report Number:** 22-0300

**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 September 30, 2022.

## **SUMMARY**

Transmitted herewith is the City’s investment report for the quarter ending September 30, 2022. To meet the reporting requirements set forth in 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 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

As shown in the below table, the total cash and investment portfolio held by the City as of September 30, 2022 was \$572,671,383 and total cash and investments held by the trustees was \$119,845,719.

<b>Summary of Cash and Investments as of September 30, 2022</b>	
<b>Investments</b>	<b>Book Value</b>
Managed Investment Portfolio	\$ 498,599,000
State of California Local Agency Investment Fund	11,822,256
County of San Diego Pooled Investment Fund	23,276,455
<b>Total Investments</b>	<b>533,697,711</b>
Cash/Time Deposits	38,973,672
<b>Total Cash and Investments Held by the City</b>	<b>572,671,383</b>
Cash and Investments Held by Bank Trustee	119,845,719
<b>Total Investment Portfolio</b>	<b>\$ 692,517,102</b>

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, twenty-two investments matured, totaling \$35,256,000. Twenty-six purchases were made to replace those investments and invest idle cash. Purchased investments include: eight federal agency bonds (\$22,416,000), eight corporate notes (\$18,160,000), eight municipal bonds (\$15,890,000), and two supranational (\$4,900,000). Finance staff continues to manage the portfolio and execute transactions as financial and economic conditions warrant.

Two-year Treasuries yielding 2.92% at the beginning of the quarter ended the quarter at a yield of 4.22%

As of September 30, 2022, the Weighted Yield to Maturity on the Managed Investment Portfolio was 1.83%, which was an increase of seventeen basis points from the previous quarter. The average yield of the two-year U.S. treasury note over the last twelve months is 2.11% with some of the largest gains occurring over the last three quarters. 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 2.07 years, which is an increase from 2.01 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 July 27 and September 21. During both meetings, the FOMC voted to raise the Federal Funds Rate target range by 0.75%. The Federal Funds Rate target range had increased to a new range of 3.00%-3.25% by the end of September.

The following excerpts are from the statement issued by the FOMC following their September 21 meeting. “Recent indicators point to modest growth in spending and production. 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 food and energy prices, and broader price pressures. Russia’s war on Ukraine is causing tremendous human and economic hardship. The war and related events are creating additional upward pressure on inflation and are weighing on global economic activity. 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 3 to 3-1/4 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. The Committee’s assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.”

There is no further activity to report other than routine investments. 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 September 30, 2022
2. Investment Report for the Quarter Ended September 30, 2022

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*Lisa Partee, Fiscal and Management Analyst, Finance Department*