



CITY COUNCIL STAFF REPORT



June 6, 2023

ITEM TITLE

Investment Report: Quarter Ending March 31, 2023

Report Number: 23-0146

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

Receive the investment report for the quarter ending on March 31, 2023.

SUMMARY

Transmitted herewith is the City’s investment report for the quarter ending March 31, 2023. 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 April.

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 table below, the total cash and investment portfolio held by the City as of March 31, 2023, was \$608,911,718 and total cash and investments held by the trustees was \$135,211,908.

| Summary of Cash and Investments as of March 31, 2023 | |
|---|-----------------------|
| Investments | Book Value |
| Managed Investment Portfolio | \$ 521,655,742 |
| State of California Local Agency Investment Fund | 41,924,456 |
| County of San Diego Pooled Investment Fund | 23,501,714 |
| Total Investments | 587,081,912 |
| Cash/Time Deposits | 21,829,806 |
| Total Cash and Investments Held by the City | 608,911,718 |
| Cash and Investments Held by Bank Trustee | 135,211,908 |
| Total Investment Portfolio | \$ 744,123,626 |

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 2023-024 on March 7, 2023.

During this quarter, excess cash in the amount of \$30,000,000 was transferred to the State of CA Local Agency Investment Fund, pooled investment account. Additionally, fourteen investments matured, totaling \$16,190,000 and were transferred to pooled investment accounts in May.

Two-year Treasuries yield was 4.41% at the beginning of the quarter and ended the quarter at a yield of 4.06%. As of March 31, 2023, the Weighted Yield to Maturity on the Managed Investment Portfolio was 2.06%, which was an increase of one basis point from the previous quarter. 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 1.87 years, which is a decrease from 2.06 years in 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 January 31 and March 21. At their January 31 meeting, the FOMC voted to raise the Federal Funds Rate target range by 0.25%. At their March 21 meeting, the FOMC voted to raise the Federal Funds Rate target range by an additional 0.25%. The Federal Funds Rate target range has increased to a new range of 4.75%-5.00%.

The following excerpts are from the statement issued by the FOMC following their March 21 meeting. *“Recent indicators point to modest growth in spending and production. Job gains have picked up in recent months and are running at a robust pace; the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. Recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation. The extent of these effects is uncertain. The Committee remains highly attentive to inflation risks. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the long run. In support of these goals, the Committee*

decided to raise the target range for the federal funds rate to 4-3/4 to 5 percent. The Committee will closely monitor incoming information and assess the implications for monetary policy. The Committee anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time... 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 labor market conditions, inflation pressures and inflation expectations, and financial and international developments."

The Finance Department 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.

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. On May 23, 2023, the City Council approved an agreement with Chandler Asset Management, Inc. to provide non-discretionary investment management services to manage the City's investment portfolio. Over the next quarter, the Finance Department will begin to transition the management of the City's investment portfolio to Chandler Asset Management, Inc.; however, the City will continue to maintain the discretion to approve all recommended investment transactions before execution.

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 as a result of this action.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact as a result of this action.

ATTACHMENTS

1. Summary of Cash and Investments as of March 31, 2023
2. Investment Report for the Quarter Ended March 31, 2023

*Staff Contact: Adrian Del Rio, Assistant Director, Finance Department
Sarah Schoen, Director of Finance/Treasurer*