



CITY COUNCIL STAFF REPORT



May 24, 2022

ITEM TITLE

Investment Report: Quarter Ending March 31, 2022

Report Number: 22-0156

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 March 31, 2022

SUMMARY

Transmitted herewith is the City’s investment report for the quarter ended March 31, 2022. 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

The total cash and investment portfolio held by the City as of March 31, 2022 was \$532,858,968 and total cash and investments held by the trustees was \$50,009,117.

The cash and investments held by the City are composed of the following components: Managed Investment Portfolio (\$462,915,615), State of CA Local Agency Investment Fund (\$10,796,258), County of San Diego Pooled Investment Fund (\$33,102,160), and Cash/Time Deposits (\$26,044,935). 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-three investments matured, totaling \$18,964,000. Forty investments were purchased, consisting of twenty-three federal agency bonds (\$70,300,000), seven corporate notes (\$18,600,000), six treasury notes (\$17,000,000), two supranationals (\$7,000,000), and two municipal bonds (\$3,340,000). The additional funds used for the purchases were transferred from the County of San Diego Pooled Investment Fund.

Two-year Treasuries yielding 0.73% at the beginning of the quarter ended the quarter at a yield of 2.28%.

As of March 31, 2022, the Weighted Yield to Maturity on the Managed Investment Portfolio was 1.58%, which was a decrease of ten basis points from the previous quarter and a result of the maturing of higher yielding investments. Due to the rapid increase in interest rates over the quarter, the portfolio's Weighted Yield to Maturity falls below the two-year treasury. All purchases are made at current market yields.

At the end of this quarter, the Weighted Average Maturity of the Managed Investment Portfolio was 2.12 years, which is a minor decrease from 2.13 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. At their March 16 meeting, the FOMC voted to increase the Federal Funds Rate target range from 0.00% - 0.25% to the new range of 0.25% - 0.50%.

The following excerpts are from the statement issued by the FOMC following their March 16 meeting. "Indicators of economic activity and employment have continued to strengthen. Job gains have been strong in recent months, and the unemployment rate has declined substantially. 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 implications for the U.S. economy are highly uncertain, but in the near term the invasion and related events are likely to create additional upward pressure on inflation and weigh on economic activity. 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 $\frac{1}{4}$ to $\frac{1}{2}$ percent and anticipates that ongoing increases in the target range will be appropriate."

Finance staff continued to manage the portfolio and work with multiple broker/dealers for investment purchases throughout this quarter. Ongoing portfolio management activity will continue to be performed in-house by the Director of Finance and finance staff. There is no further activity to report on other than routine investments by the City's Finance Department.

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 March 31, 2022
2. Investment Report for the Quarter Ended March 31, 2022

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