

FINANCE & TECHNOLOGY

DATE: January 18, 2021

TO: City Council
Alex McIntyre, City Manager
Michael Coon, Finance & Technology Director

FROM: Vivien Avella, Treasurer and Assistant Finance Director

SUBJECT: Investment Report for Month End November, 2020

SUMMARY

The attached Investment Report provides information on the City's investment portfolio. The investment portfolio is managed to provide security of City assets and liquidity of funds to meet cash flow requirements, while maximizing investment earnings within the constraints of the approved Investment Policy. All funds are invested in compliance with Government Code Sections 53600 et seq. and the City's Investment Policy. There are sufficient funds available to meet funding requirements during the next six-month period. As of the date of this report, there were no known instances of non-compliance with Investment Policy requirements.

The Investment Report has been modified from previous versions to more fully comply with disclosure requirements as listed in the Investment Policy, and to provide comprehensive, clear, and accurate information regarding the City's investment portfolio, interest earnings, and credit risk.

The total value of the City's cash and investments portfolio as of November 30 was \$273.4 million, as detailed on the next page. The total balance declined by \$.7 million from the prior month. This is not significant and is consistent with expected and typical fluctuations in monthly cash flows. The projected annual interest income from cash and investments is approximately \$2.0 million, based upon a current weighted average yield of .74%. This projection is based upon current market conditions and investments currently held in the City's portfolio. Actual investment earnings may vary significantly from this projection based upon changes in interest rates, maturity of existing investments, and changes in investment allocations. Actual interest income for the monthly period was \$234K. Interest income is received based upon each investment's payment schedule, which may provide for either monthly, quarterly, or semi-annual payments; therefore, interest income received may vary considerably from month to month.

The following chart shows a summary of consolidated cash and investment balances held in the City's over 25 bank accounts. All balances have been reconciled to the appropriate bank statements. The City's main operating account at JPMorgan Chase has also been reconciled to the general ledger in connection with the monthly bank reconciliation process. Cash held in fiduciary accounts has been removed from this report.

This chart also provides a broad outline of cash receipts and disbursements for the month. It is not intended as, or is a substitute for the comprehensive quarterly financial updates of the City's operating results.

		FY 20-21	
		October 31-Oct-2020	November 30-Nov-2020
Comprehensive Statement of Cash & Investments	Institution		
Cash			
Operating Cash	JP Morgan Chase	\$ 92,712,075	\$ 74,891,114
Money Market Funds - Restricted Bond Proceeds	Bank of NY	13,669,870	13,688,824
Total Cash		\$ 106,381,945	\$ 88,579,939
Investments			
CalTrust Pooled Agency Investment Fund	CalTrust, Public Agency	10,002,110	10,003,898
LAIF Pooled Agency Investment Fund	Cal State Treasurer	68,179,068	67,812,068
Ventura County Investment Fund	Ventura Co Treasurer	20,583,009	50,609,432
US Treasury Notes	Bank of NY	6,562,963	4,805,815
US Agency Notes	Bank of NY	24,299,980	17,783,655
Supranational Obligations	Bank of NY	2,523,355	1,519,355
Corporate Medium Term Notes	Bank of NY	18,989,021	17,240,803
Municipal Medium Term Notes	Bank of NY	7,656,662	6,651,752
FDIC Insured Certificates of Deposit	Bank of NY	8,932,825	8,407,433
Total Investments		\$ 167,728,993	\$ 184,834,211
Total Cash and Investments		\$ 274,110,939	\$ 273,414,149
Liquid Funds (Immediate Access with Minimal Principal Fluctuation)		205,146,133	217,005,336
Liquid Funds % (20% guideline per AP&P)		75%	79%
Beginning Consolidated Cash Balance			\$ 274,110,939
General Receipts			11,566,252
Tax Receipts			3,924,163
Investment Income			233,585
Total Receipts			15,724,001
Net Payroll Expenses			3,364,385
Payroll Taxes and Benefits			2,703,757
Net Debt Service			-
Operating/Capital Expenses			10,352,647
Total Disbursements			16,420,790
Net Cash Inflow/Outflow			(696,789)
Ending Consolidated Cash Balance			\$ 273,414,149

The City continues to maintain high levels of liquidity to support daily working capital needs and stability of its cash position.

Shown below is a table outlining key components necessary to assess the overall credit quality and income generated from the City's investment portfolio. These components include: approximate yield (effective interest rate), days to maturity, % concentration of the portfolio, credit rating, and projected annual interest. The weighted average maturity of the investment portfolio not including cash and equivalents (operating cash and money-market funds) is 0.94 years, as broken down in the following chart. The City's Investment Policy requires a weighted average maturity of no more than 2.5 years. Given the City's considerable cash balances, the weighted average maturity including cash and equivalents has also been calculated. The weighted average maturity of all cash and investments is .65 years.

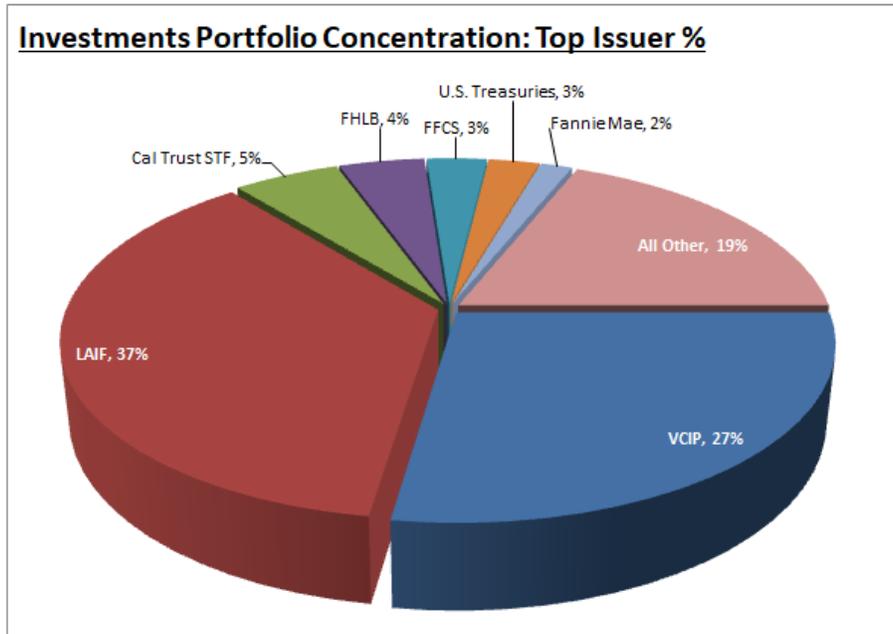
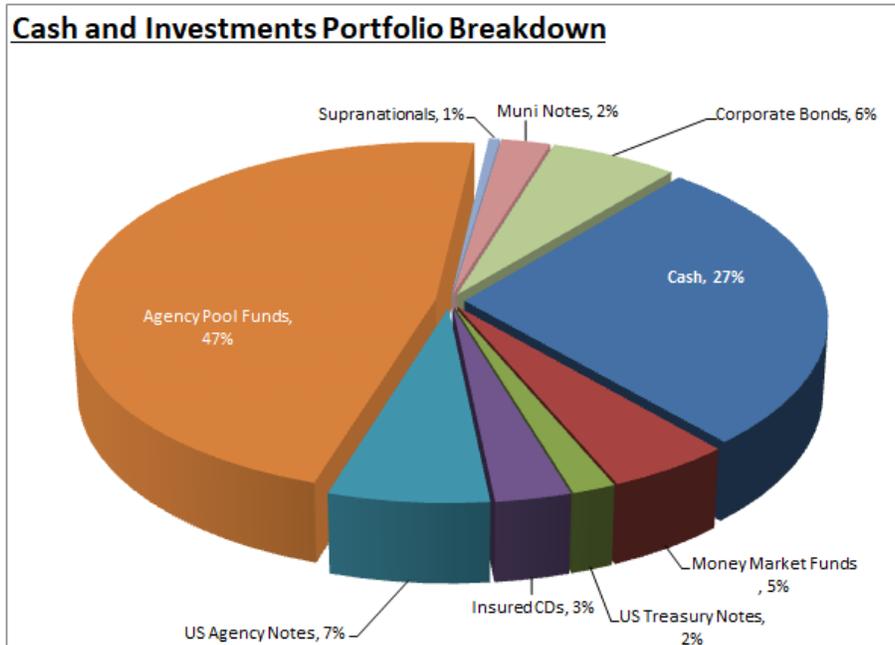
The low weighted average maturities are indicative of very low interest rate risk exposure and maximum liquidity in the portfolio. It is also indicative of an appropriate short-term investment strategy given the current interest rate environment; there is a lack of appropriate return for the increased risk associated with longer-term securities given the current yield dynamics in the marketplace. The City is reviewing and adjusting the investment portfolio allocation accordingly.

The credit ratings associated with the City's investments indicate a very high quality portfolio in accordance with the Investment Policy.

The current yield on the City's investment portfolio, including high levels of cash, is .74%. The Investment Policy indicates a guideline for a minimum return comparable to the average one-year U.S. Constant Maturity Treasury (CMT), which as of the current month was equal to .10%.

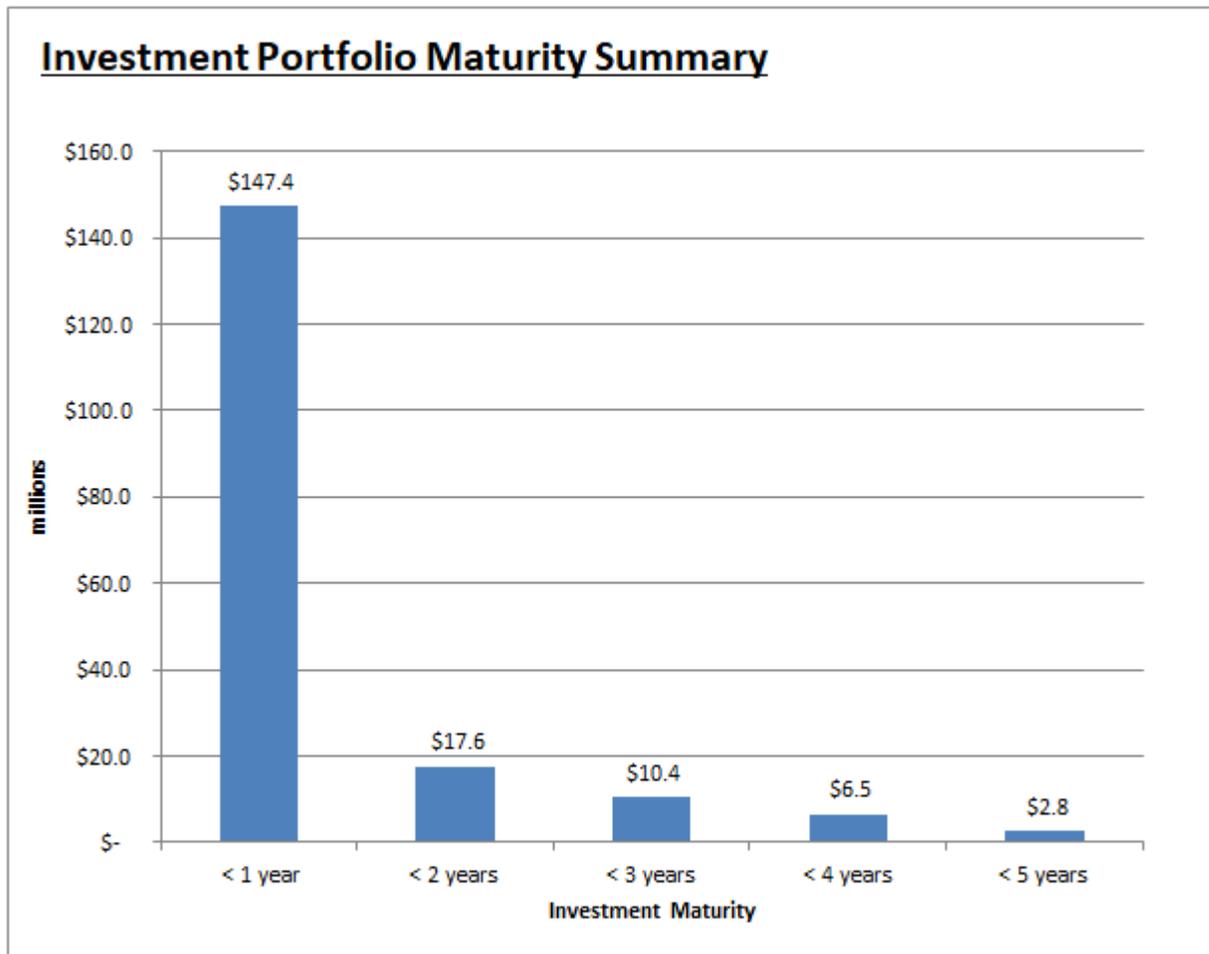
CITY OF VENTURA						
Yield, Maturity, Credit Quality of Cash & Investments	As of	% of	Approx	Avg Days	S&P	Projected Annual
Cash and Investment Category	30-Nov-2020	Portfolio	Yield	Maturity	Rating	Interest
Operating Cash	\$ 74,891,114	27%	0.10%	0	N/A	\$ 74,891
Money Market Funds - Restricted Bond Proceeds	13,688,824	5%	0.01%	90	AAA	684
CalTrust Pooled Agency Investment Fund	10,003,898	4%	0.26%	230	AA	26,010
LAIF Pooled Agency Investment Fund	67,812,068	25%	0.58%	165	N/A	390,598
Ventura County Investment Fund	50,609,432	19%	0.63%	311	AAA	318,839
BNY Investment Portfolio	56,408,813	21%	2.13%	605	AAA to A-	1,200,188
Total Cash and Investments, End of Month	\$ 273,414,149	100%	0.74%			\$ 2,011,211
Weighted Average Maturity in Days, Total Cash and Investments				236		
Weighted Average Maturity in Years (< 2.5 year requirement)				0.65		
Weighted Average Maturity in Days, Investments Only				343		
Weighted Average Maturity in Years, Investments Only (< 2.5 year requirement)				0.94		

The following charts show a summary of the City's cash and investments, broken down by security type (includes cash) and top issuer concentration (does not include cash). These charts indicate a fixed income portfolio with minimal credit risk. Credit risk is a measure of the issuer's ability to satisfy the requirements of the bond (i.e. default risk). All corporate bonds in the City's portfolio have a credit rating of A- or better, and represent approximately 6% of the City's total of \$273.4 million in cash and investments. Operating cash represents 27%. Staff is pursuing a re-allocation strategy to continue to move cash balances into appropriate investments to achieve higher returns while balancing the City's working capital needs and ensuring ample daily liquidity.



Finally, shown below is a chart providing additional detail of the maturities of the City's \$184.8 million investment portfolio. This chart does not include amounts held in cash and equivalents.

Due to the current interest rate environment, the risk-return metrics do not currently justify significant investment in mid to longer-term maturities (two to five years). The current yield on the 5 year Treasury CMT is .46%. This contrasts with current yields for the highly liquid Ventura County Investment Pool (VCIP) and Local Agency Investment Fund (LAIF) of .63% and .58%, respectively. This yield curve dynamic, coupled with increasing "calls" on the City's higher rate, longer-term investments, are decreasing the overall weighted average maturity of the portfolio. The City will continue to monitor the interest rate environment dynamics on an active basis as it invests the City's cash in accordance with the objectives as set forth in the Investment Policy.



Respectfully Submitted,

Vivien Avella, Treasurer and Assistant Finance Director