

# FINANCE & TECHNOLOGY

**DATE:** February 1, 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 December, 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 total value of the City's cash and investments portfolio as of December 31 was \$283.5 million. The total balance increased by \$10.1 million from the prior month. This increase is related to the receipt of semi-annually paid property tax, offset by debt service deposits for January principal and interest payments, and a three-cycle December payroll. The projected annual interest income from cash and investments is approximately \$2.2 million, based upon a current weighted average yield (effective interest rate) of .78%. 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 \$99.5K. 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. In addition, the City maintains ample liquidity, with liquid funds of approximately 73% versus the minimum guideline of 20% as indicated within the City's Administrative Policies and Procedures, Section 16.2.

The following chart shows a summary of consolidated cash and investment balances held in the City's over 30 bank accounts. All balances have been reconciled to the appropriate 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 is not included in 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		
		November	December	
Comprehensive Statement of Cash & Investments		Institution	30-Nov-2020	30-Dec-2020
<b>Cash</b>				
Operating and Petty Cash	JP Morgan Chase	\$	74,912,417	\$ 47,306,136
Restricted Bond Proceeds --MMF	Bank of NY		13,688,824	13,451,820
<b>Total Cash</b>		<b>\$</b>	<b>88,579,939</b>	<b>\$ 60,757,956</b>
<b>Investments</b>				
CalTrust Pooled Agency Investment Fund	CalTrust, Public Agency		10,003,898	10,008,054
LAIF Pooled Agency Investment Fund	Cal State Treasurer		67,812,068	67,812,068
Ventura County Investment Pool	Ventura Co Treasurer		50,609,432	80,807,107
US Treasury Notes	Bank of NY		4,805,815	4,798,665
US Agency Notes	Bank of NY		17,783,655	24,767,220
Supranational Obligations	Bank of NY		1,519,355	1,515,565
Corporate Medium Term Notes	Bank of NY		17,240,803	16,532,069
Municipal Medium Term Notes	Bank of NY		6,651,752	6,646,730
FDIC Insured Certificates of Deposit	Bank of NY		8,407,433	9,868,372
<b>Total Investments</b>		<b>\$</b>	<b>184,834,211</b>	<b>\$ 222,755,849</b>
<b>Total Cash and Investments</b>		<b>\$</b>	<b>273,414,149</b>	<b>\$ 283,513,806</b>
Liquid Funds (Immediate Access with Minimal Principal Fluctuation)			203,337,815	205,933,365
Liquid Funds % (20% guideline per AP&P)			74%	73%
<b>Beginning Consolidated Cash Balance</b>				<b>\$ 273,414,149</b>
General Receipts				11,210,213
Tax Receipts				20,657,795
Investment Income				99,544
<b>Total Receipts</b>				<b>31,967,552</b>
Net Payroll				5,780,011
Payroll Taxes and Benefits				3,227,150
Debt Service Payments				3,191,572
Operating/Capital Expenses				9,669,163
<b>Total Disbursements</b>				<b>21,867,896</b>
Net Cash Inflow/Outflow				10,099,656
<b>Ending Consolidated Cash Balance</b>		<b>\$</b>		<b>283,513,806</b>

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 1.08 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 .86 years.

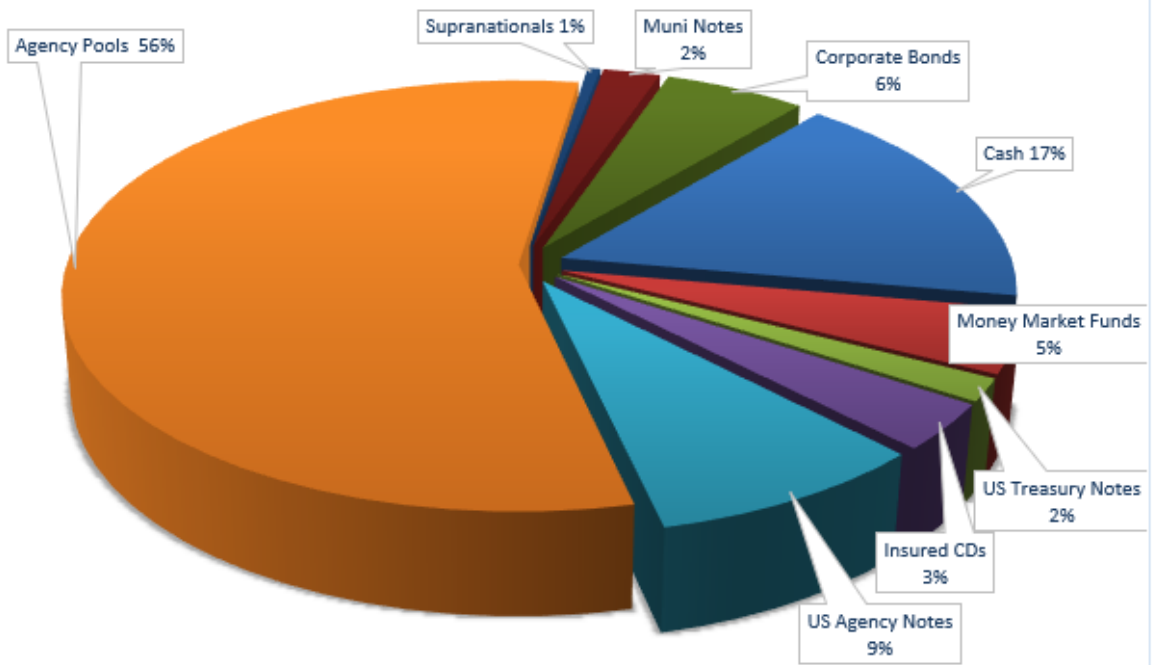
The low weighted average maturities are indicative of low interest rate risk exposure and optimized liquidity. It is also indicative of an appropriate short-term investment strategy given the current interest rate environment; there is a lack of appropriate return for the increased risk associated with 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 .78%. 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%.

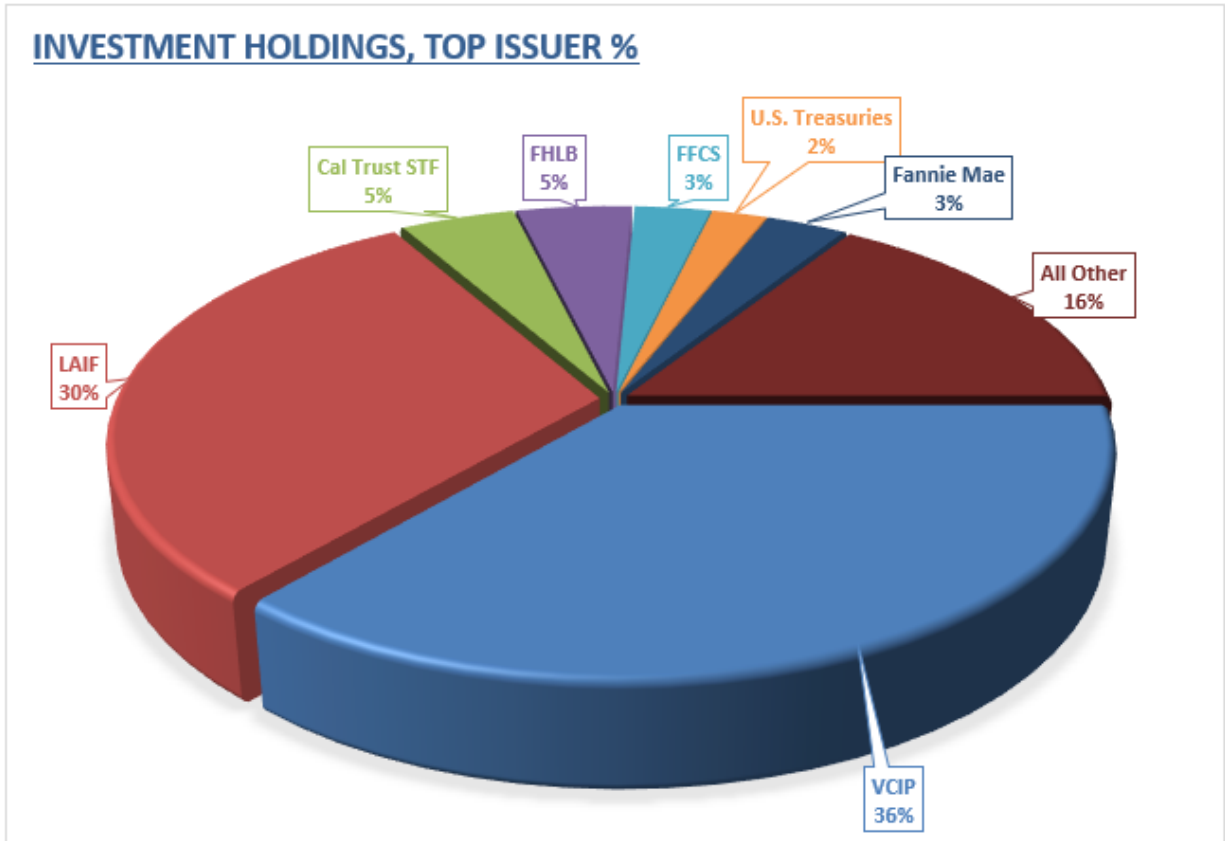
CITY OF VENTURA								
Yield, Maturity, Credit Quality of Cash & Investments	As of	% of	Approx	Avg Days	S&P	Proj. Annual	Interest	
Cash and Investment Category	30-Dec-2020	Portfolio	Yield	Maturity	Rating	Interest	Received	
Operating and Petty Cash	\$ 47,306,136	17%	0.10%	0	N/A	\$ 47,306	\$ 5,048	
Restricted Bond Proceeds --MMF	13,451,820	5%	0.20%	90	AAA	26,904	12,702	
CalTrust Pooled Agency Investment Fund	10,008,054	4%	0.30%	230	AA	30,024	4,156	
LAIF Pooled Agency Investment Fund	67,812,068	24%	0.54%	165	N/A	366,185	-	
Ventura County Investment Fund	80,807,107	29%	0.63%	311	AAA	509,085	17,605	
BNY Investment Portfolio	64,128,621	23%	1.91%	765	AAA to A-	1,222,980	60,034	
<b>Total Cash and Investments, End of Month</b>	<b>\$ 283,513,806</b>	<b>100%</b>	<b>0.78%</b>			<b>\$ 2,202,484</b>	<b>\$ 99,544</b>	
Weighted Average Maturity in Days, Total Cash and Investments				314				
Weighted Average Maturity in Years (< 2.5 year requirement)				0.86				
Weighted Average Maturity in Days, Investments Only				394				
Weighted Average Maturity in Years, (< 2.5 year requirement)				1.08				

The following chart shows a summary of the City's \$283.5 million in cash and investments, broken down by security type (includes cash). These charts indicate a fixed income portfolio with very low 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 \$283.5 million in cash and investments. Operating cash represents 17%. 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.

### CASH AND INVESTMENTS PORTFOLIO BREAKDOWN



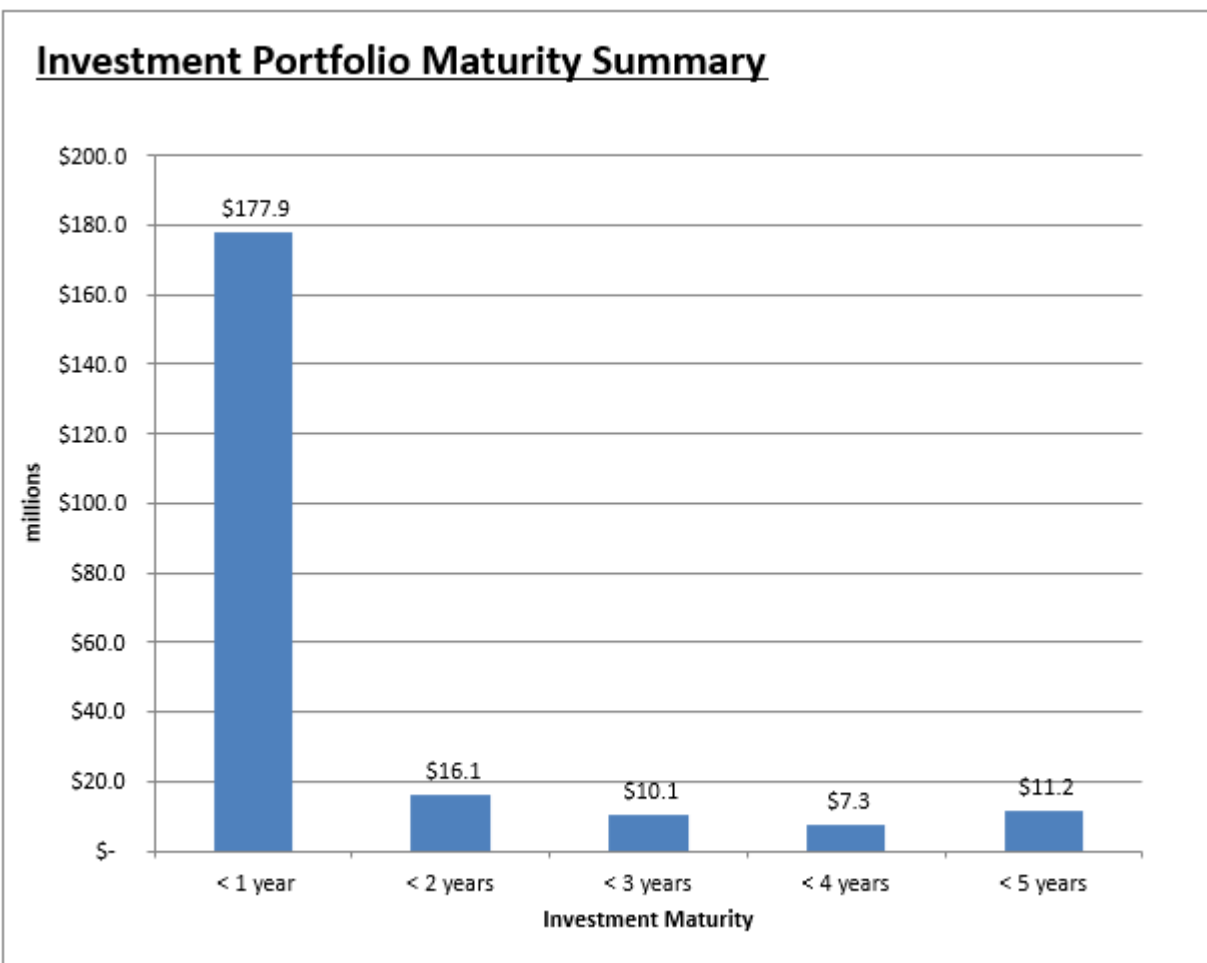
Shown below is a breakdown of the \$222.8 million in the investment portfolio by top issuer. This chart does not include cash and equivalents. The Ventura County Investment Pool (VCIP), the Local Agency Investment Pool (LAIF), and the Cal Trust Government Agency Short Term Fund represent diversified investment pools with many issuers. No single issuer accounts for more than 5% of the investment portfolio. The top four single issuers are either governmental agencies or the U.S. Treasury. Also shown are the current credit ratings for each of the top issuers.



Issuer	S&P Rating	Moody's Rating
Ventura County Investment Pool (VCIP)	AAA	Aaa
Local Agency Investment Pool (LAIF)	NR	NR
Cal Trust Short Term Fund	AA	NR
U.S. Treasury	NR	Aaa
Federal Home Loan Bank	AA+	Aaa
Federal Farm Credit System	AA+	Aaa
Federal National Mortgage Association	AA+	Aaa

Finally, shown below is a chart providing additional detail of the maturities of the City's \$222.8 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 justify significant investment in mid-term maturities (2-4 years). The December month end yields on the 2,3, and 5 year Treasury CMT were .13%, .17% and .36%, respectively. This contrasts with yields for the highly liquid Ventura County Investment Pool (VCIP) and Local Agency Investment Fund (LAIF) of .63% and .54%, respectively. To the extent the City can gain value above Treasury yields and protect against further interest rate declines by locking in longer maturities, staff will continue to pursue appropriate investment opportunities. This focus on short-term maturities, coupled with increasing "calls" on the City's higher rate, longer-term investments, contribute to a low average maturity. The City will continue to monitor the interest rate environment dynamics 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