

CITY OF VENTURA
FINANCE DEPARTMENT

DATE: October 17, 2023

TO: City Council
Bill Ayub, City Manager

FROM: Pamela Townsend, Assistant Chief Financial Officer

SUBJECT: Investment Report for Month End September 2023

SUMMARY

In accordance with California Government Code Section 53607, the City Treasurer shall prepare a Monthly Investment Report, providing information on the City's cash balances and 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 Section 53600 et seq. and the City's Investment Policy. There are sufficient funds available to meet funding requirements during the next six-month period. There are no known instances of non-compliance with Investment Policy requirements.

The California Municipal Treasurers Association (CMTA) has certified the City's Investment Policy. Certification by CMTA validates that an Investment Policy adheres to the State Government Code, and further meets the program requirements within 18 different topic areas deemed to be best practices for investment and cash management activities by municipal governments.

The total value of cash and investments as of September 30 was \$282.2 million. This is a decrease of \$1.5 million, or .55%, versus the prior month. The largest contributing factor to the decrease of the cash and investments portfolio was the annual debt service payment of principal for the 2021 A & B Refunding Certificates of Participation.

Based upon a current weighted average yield of 2.51%, projected annual interest income is \$7.2 million in September 2023. Actual interest income for the month was \$729K.

The City maintains ample liquidity, with liquid funds of \$85.5 million or 30% of total cash and investments. Yields on core liquidity invested in Ventura County Investment Pool (VCIP) continued to increase. Ventura County Investment Pool (VCIP) rate of return increased from 3.53% to 3.64%.

The following chart shows a summary of consolidated cash and investment balances held by the City. For purposes of this management report, cash and investments are analyzed on a bank balance basis and are not reconciled for month end outstanding items and accruals.



FY 2024

		July	Aug	Sept
Statement of Cash & Investments		31-Jul-2023	31-Aug-2023	30-Sep-2023
Cash				
Operating Cash	JP Morgan Chase	\$ 44,603,284	\$ 29,032,996	\$ 36,560,150
Restricted Money Market	Bank of NY	2,631,530	1,621,188	1,626,723
Total Cash		\$ 47,234,814	\$ 30,654,183	\$ 38,186,873
Investments				
LAIF Pooled Agency Investment Fund	CA Treasurer	1,721,641	1,721,642	1,206,891
Ventura County Investment Pool	County Treasurer	47,452,236	47,452,236	47,706,968
US Treasury Notes	U.S. Treasury	14,407,380	16,893,240	14,914,035
US Agency Notes	Gov't Agencies	95,326,030	101,373,475	95,733,804
Supranational Obligations	Multinational Agencies	9,096,880	9,122,460	9,087,700
Corporate Medium Term Notes	Various Corp. Credits	40,825,517	39,861,280	38,670,115
Municipal Medium Term Notes	Local/State Agencies	23,468,953	23,526,346	23,476,195
Insured Certificates of Deposit	FDIC Insured Banks	10,868,738	13,180,651	13,230,646
Total Investments		\$ 243,167,375	\$ 253,131,329	\$ 244,026,354
Total Cash and Investments		\$ 290,402,189	\$ 283,785,513	\$ 282,213,226
Liquid Funds		93,777,162	78,206,874	85,474,009
Liquid Funds %		32%	28%	30%
Beginning Consolidated Cash Balance				283,785,513
Net Cash Inflow/Outflow				(1,572,287)
Ending Consolidated Cash Balance				\$ 282,213,226

The table below shows key components to assess the overall credit quality and income generated from the City's investments. The Investment Policy requires a weighted average maturity of less than 2.5 years. The weighted average maturity of investments is currently 1.42 years, a slight decrease over last month.

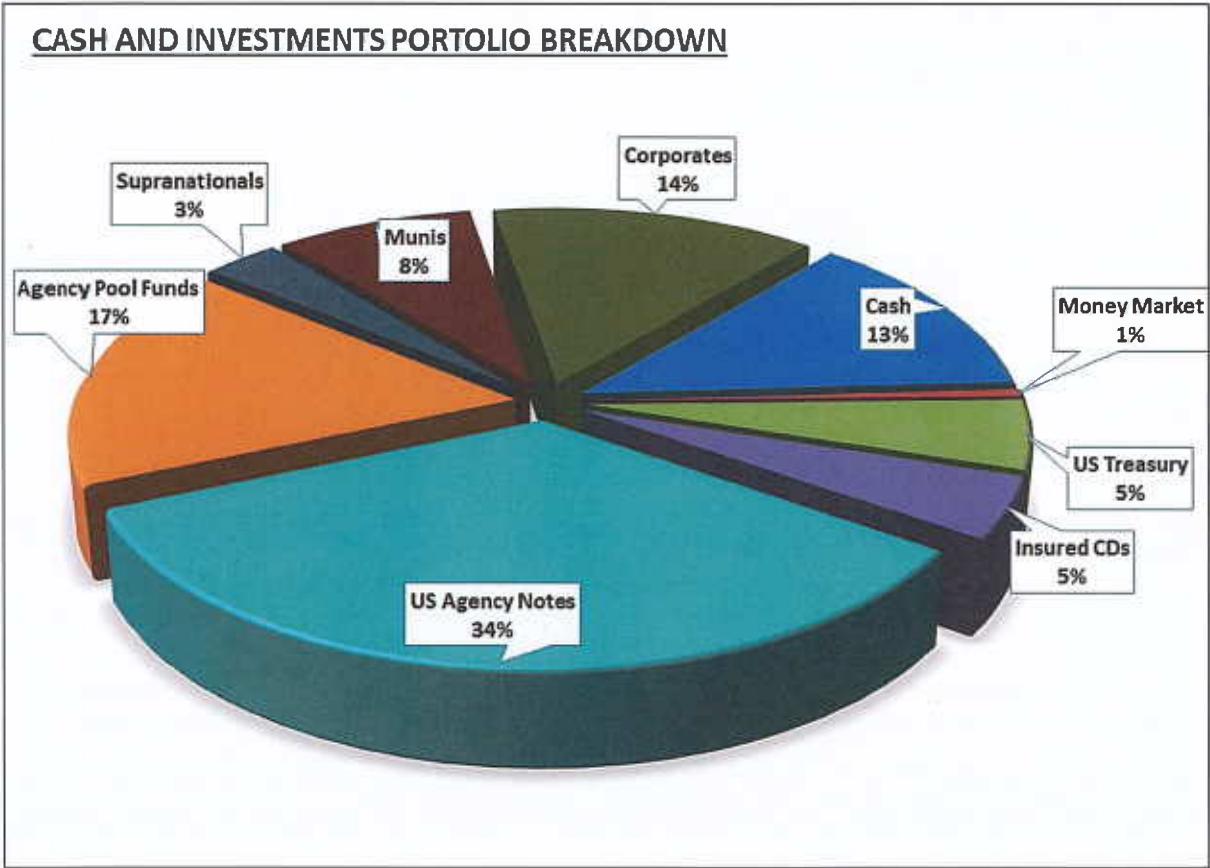
Yield, Maturity, Credit Quality of Cash & Investments	As of	% of	Approx	Weighted	S&P	Projected	Income
Cash and Investment Category	30-Sep-2023	Portfolio	Yield	Maturity Days	Rating	Annual Interest	Received
Operating Cash	\$36,560,150	13%	2.94%	-	N/A	\$ 965,585	\$ 80,465
Restricted Money Market	1,626,723	1%	4.09%	-	AAA	66,536	5,535
LAIF Pooled Agency Investment Fund	1,206,891	0%	3.53%	-	N/A	42,652	-
Ventura County Investment Pool	47,706,968	17%	3.64%	-	AAAF/S1+	1,736,534	254,732
BNY Investment Portfolio	<u>195,112,494</u>	<u>69%</u>	<u>2.23%</u>	<u>752</u>	AAA to A-	<u>4,357,633</u>	<u>387,859</u>
Total Cash and Investments	282,213,226	100%	2.53%	520		7,168,939	728,591
Investment Yield			2.51%				
Investment Weighted Average Maturity, (< 2.5 year requirement)				1.42			

The low weighted average maturity is indicative of low interest rate risk exposure and optimized liquidity. The credit ratings associated with the City's investments indicate a very high quality portfolio. The City's investment strategy is passive, with investments generally held to maturity. This serves to eliminate portfolio losses that would otherwise arise due to the impact of fluctuations in interest rates on an investment's market value, if sold prior to maturity.

The Investment Policy indicates the Treasurer shall seek to meet or exceed the rate of return as shown for the Constant Maturity Treasury (CMT) whose maturity most closely matches the maturity

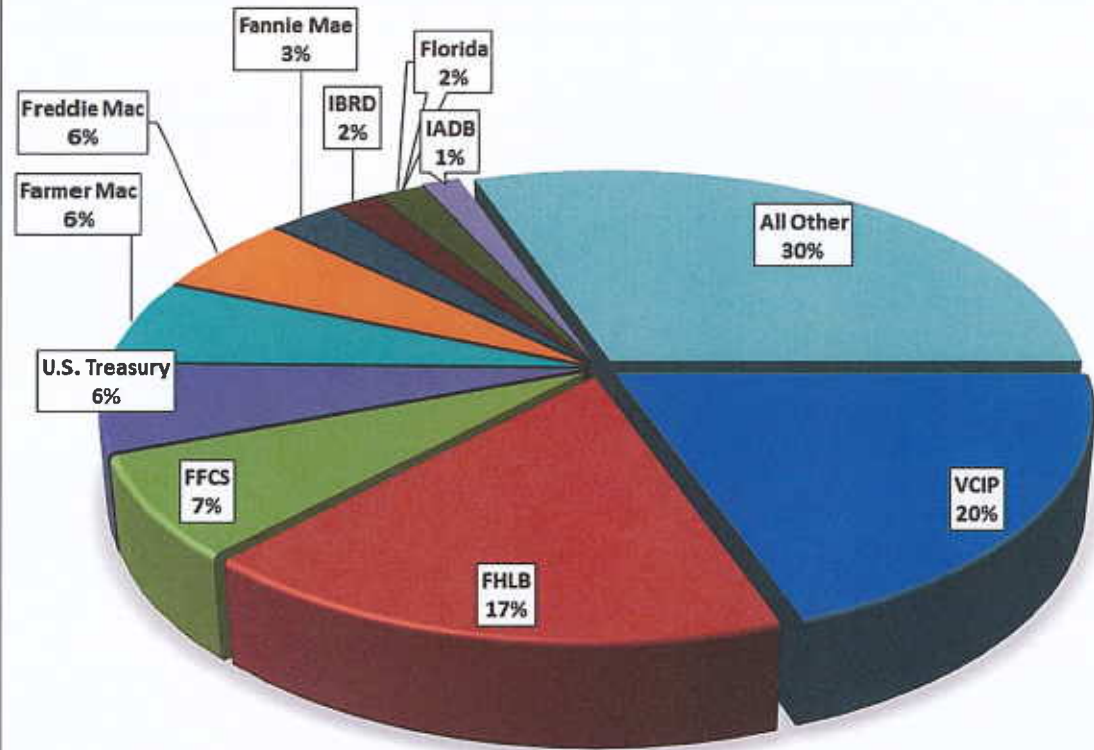
of the City portfolio. The current yield on the City's investment portfolio is 2.51%. Twelve-month trailing historical CMT yields are 4.93% and 4.48%, respectively for the one- and two-year maturities. Staff will continue to look for opportunities to drive the average yield of the City's investments closer to the 12-month CMT. However, any efforts to increase yield will be balanced against other core principals of the City's investment policy, such as protecting the City's principal, maintaining adequate liquidity, and maintaining a well-balanced and diversified portfolio of investments.

The following chart shows a summary of the City's \$282.2 million in cash and investments, broken down by security type. 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 currently have a credit rating of A- or better, and represent 14% of the City's total cash and investments, or \$38.7 million. Operating cash held in the City's main depository account represents 13%, or \$36.6 million. Treasury strives to maintain no more than 10% of total cash and investments in its main depository account, in order to maximize interest earnings while managing liquidity needs.



Shown on the next page is a breakdown of the \$244.0 million in the investment portfolio (cash not included) by top ten issuer. VCIP represents diversified funds with many issuers. No single issuer accounts for more than 17%. All the top single issuers are either the U.S. Treasury, Government Sponsored Entities (Agencies/GSEs), AAA-rated multinational governmental agencies, or the AA-rated State of Florida. GSEs carry an implied guarantee from the Federal Government. Also shown are current credit ratings.

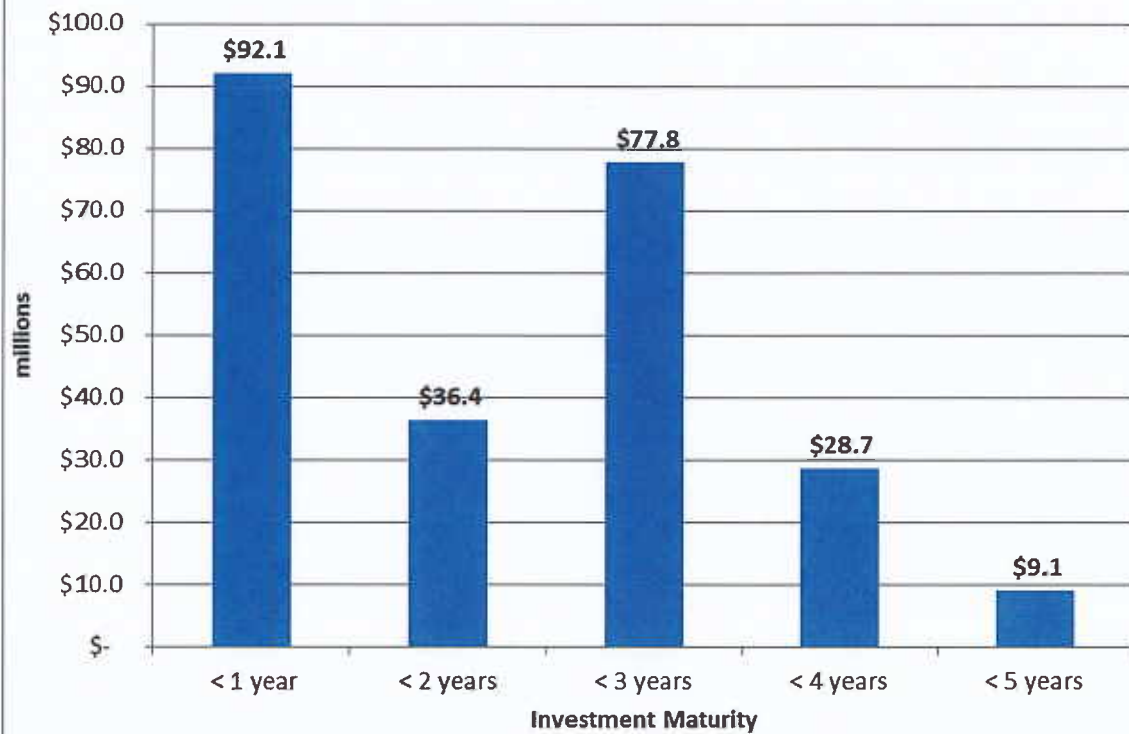
INVESTMENT HOLDINGS, TOP ISSUER %



Issuer	S&P Rating	Moody's Rating
Ventura County Investment Pool (VCIP)	AAAf/S1+	NR
Federal Home Loan Bank (FHLB)	AA+	Aaa
Federal Farm Credit System (FFCS)	AA+	Aaa
U.S. Treasury	NR	Aaa
Federal Agricultural Mortgage Corp. (Farmer Mac)	NR	NR
Federal Home Loan Mortgage Corp. (Freddie Mac)	NR	Aaa
Federal National Mortgage Association (Fannie Mae)	AA+	Aaa
World Bank-Int'l Bank for Recon/Devel	AAA	Aaa
State of Florida	AA	Aa3
InterAmerican Development Bank	AAA	Aaa

Shown is a chart providing detail of the maturities of the City's \$244.0 million investment portfolio. This chart includes only investments, and not operating cash.

INVESTMENT PORTFOLIO MATURITY SUMMARY



The attached exhibit details the 197 individual securities in the City's investment portfolio, held by BNYMellon as custody agent.

Respectfully Submitted,

Pamela Townsend, Assistant Chief Financial Officer