



# Agenda Report

**MEETING DATE:** Tuesday, February 9, 2021

**TO:** City Council

**FROM:** FINANCE DEPARTMENT  
Cynthia Czerwin, Administrative Services Director  
Marissa Duran, Assistant Finance Director

**SUBJECT:** MOTION TO ACCEPT OCTOBER 2020 THROUGH DECEMBER 2020  
INVESTMENT REPORT

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## **STATEMENT OF ISSUES:**

The City Council is asked to accept quarterly Investment Reports.

## **RECOMMENDED ACTION:**

It is recommended that Council accept the Investment Report for the period of October 2020 through December 2020 by motion.

## **DISCUSSION:**

The City's idle funds are invested to earn a competitive yield and yet accommodate the City's need for liquidity. Investments of idle funds are only made in investment types/instruments approved by the Council. Every year in January, the Council re-adopts the City's Investment Policy. As shown on Table 1 below, the City's Investment Portfolio in September 2020 was 46.4 million dollars. Our current holdings include: City Investments, Street Assessments, LAIF and CAMP.

Two years ago, the City added a new Investment Instrument to its portfolio: the California Asset Management Program (CAMP). This Program has been around since 1989 and has been serving the investment needs of public agencies. CAMP is a pool, which is a short-term cash reserve portfolio and cash management vehicle. The investment is AAA rated by Standard & Poor's. They offer same-day liquidity, competitive yield, and monthly interest payments and zero out of pocket expenses. The City's current investment in CAMP is \$26.7 million dollars.

The City has used LAIF (Local Agency Investment Fund) as a primary benchmark for the last several years. LAIF is a good benchmark for the City as the average days to maturity of their

investments is similar to the City's investment maturity. Currently we are a little below LAIF earnings rates as interest rates are very strained.

## **PORTFOLIO RESULTS:**

The results from the last several months are shown below in Table 1.

**Table I**

	October	November	December
Cash Invested (\$MM)	72.4	72.4	82.2
City's Average Maturity (Days)	48.7	47.8	38.8
City's Average Yield	0.53%	0.48%	0.49%
LAIF Yield	0.62%	0.58%	0.58%
LAIF Cash Invested (\$MM)	46.5	46.5	56.6

## **THE ECONOMY:**

The economic downward trend continued in the month of December and non-farm employment in the U.S. declined by 140,000 jobs. Most of that drop was in the leisure and hospitality sector. The unemployment rate was unchanged at 6.7%. While the surge in number of unemployed Americans has been a focus of economists throughout the pandemic, another problem in the market has totally been overlooked. People who have jobs are calling in sick in record numbers and taking leaves of absence. Unlike the jobless rate, which has declined markedly from the peak in April, the rate of absenteeism has remained stubbornly high. More than 1.9 million people missed work in December because of illness, according to Labor Department data, almost matching a 2 million record set in April underscoring the impact of a third wave of coronavirus infections.

The resurgence in COVID cases and the slower rollout of vaccinations across much of the country has caused economic activity to pull back from high contact activities in recent weeks. Renewed lockdowns and operating restrictions also took a toll on employment rates. Prices of discretionary items that saw large declines at the onset of the pandemic, like travel-related prices and apparel, continued to increase last month.

## **FINANCIAL IMPACT:**

Economists hope that inflation rates move gradually higher in 2021. However, if sales come in weaker-than-expected, it will take longer for the economy to bounce back. This will most likely cause low interest earning yields in the 2021 calendar year.

## **ATTACHMENTS AND/OR REFERENCES (If any):**

1. October through December 2020 Investment Portfolio

City of Watsonville  
Investment Reports

Oct-20



We certify that the investment report conforms to the City of Watsonville's Investment Policy and that the City's next 6 month's cash needs can be met if past trends continue.

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Cynthia Czerwin  
Administrative Services Director

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Marissa Duran  
Assistant Finance Director

Portfolio Average Return	0.53%
Average Maturity (Days)	48.7
Comparative Yields:	
LAIF	0.62%
One Year Agency Note	0.12%
Six Month -Treasury Bills	0.10%

City of Watsonville  
Investment Position Report  
30-Oct-20

	Coup. Rate	Yield (YTM)	Maturity Date	Face Value	Purchase Price	General Ledger Balance	Current Market Value	Purchase Date
<b><u>Treasury Notes (**)</u></b>	0.0%							
Totals				0	0	0	0	
Average Maturity (Days/Years)			0.0					
<b><u>Agency Notes(**)</u></b>	0.0%							
Call date								
Totals		0.00%		0	0	0	0	
Average Maturity (Days/Years)		0	0.0					
Average Duration								
<b><u>City Investments</u></b>	2.8%							
Side Fund Pool Inv - PD	2.000%	2.00%	30-Jun-25	1,073,991	1,073,991	1,073,991	1,073,991	28-Jun-11
Side Fund Pool Inv - FF	2.000%	2.00%	30-Jun-25	964,565	964,565	964,565	964,565	28-Jun-11
Totals				2,038,556	2,038,556	2,038,556	2,038,556	
Average Maturity (Days/Years)		2.00%						
Average Duration		1,704						
<b><u>Pooled Investment</u></b>								
LAIF	N/A	0.62%	Demand	46,548,064	46,548,064	46,548,064	46,776,745	Various
CAMP	N/A	0.19%	Demand	23,765,650	23,765,650	23,765,650	23,765,650	Various
				70,313,714	70,313,714	70,313,714	70,542,395	
<b><u>Investment Management Services</u></b>								
Merrill Lynch	0	4.35%		0 #	0	0	0	Various
Totals		0.53%		72,352,270	72,352,270	72,352,270	72,580,951	
Average Maturity (Days/Years)		48.7						
30-Oct-20	Days	-0.9						

**Activity Report**

Source:

City of Watsonville  
Investment Reports

Nov-20



We certify that the investment report conforms to the City of Watsonville's Investment Policy and that the City's next 6 month's cash needs can be met if past trends continue.

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Cynthia Czerwin  
Administrative Services Director

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Marissa Duran  
Assistant Finance Director

Portfolio Average Return	0.48%
Average Maturity (Days)	47.8
Comparative Yields:	
LAIF	0.58%
One Year Agency Note	0.12%
Six Month -Treasury Bills	0.10%

City of Watsonville  
Investment Position Report  
30-Nov-20

	Coup. Rate	Yield (YTM)	Maturity Date	Face Value	Purchase Price	General Ledger Balance	Current Market Value	Purchase Date
<b><u>Treasury Notes (**)</u></b>	0.0%							
Totals				0	0	0	0	
Average Maturity (Days/Years)			0.0					
<b><u>Agency Notes(**)</u></b>	0.0%							
Call date								
Totals		0.00%		0	0	0	0	
Average Maturity (Days/Years)		0	0.0					
Average Duration								
<b><u>City Investments</u></b>	2.8%							
Side Fund Pool Inv - PD	2.000%	2.00%	30-Jun-25	1,073,991	1,073,991	1,073,991	1,073,991	28-Jun-11
Side Fund Pool Inv - FF	2.000%	2.00%	30-Jun-25	964,565	964,565	964,565	964,565	28-Jun-11
Totals				2,038,556	2,038,556	2,038,556	2,038,556	
Average Maturity (Days/Years)		2.00%						
Average Duration		1,673						
<b><u>Pooled Investment</u></b>								
LAIF	N/A	0.58%	Demand	46,548,064	46,548,064	46,548,064	46,776,745	Various
CAMP	N/A	0.14%	Demand	23,768,295	23,768,295	23,768,295	23,768,295	Various
				70,316,359	70,316,359	70,316,359	70,545,040	
<b><u>Investment Management Services</u></b>								
Merrill Lynch	0	4.35%		0 #	0	0	0	Various
Totals		0.48%		72,354,915	72,354,915	72,354,915	72,583,596	
Average Maturity (Days/Years)		47.8						
30-Nov-20	Days	-0.9						

Activity Report

Source:

City of Watsonville  
Investment Reports

Dec-20



We certify that the investment report conforms to the City of Watsonville's Investment Policy and that the City's next 6 month's cash needs can be met if past trends continue.

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Cynthia Czerwin  
Administrative Services Director

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Marissa Duran  
Assistant Finance Director

Portfolio Average Return	0.49%
Average Maturity (Days)	41.4
Comparative Yields:	
LAIF	0.58%
One Year Agency Note	0.12%
Six Month -Treasury Bills	0.10%

City of Watsonville  
Investment Position Report  
30-Dec-20

	Coup. Rate	Yield (YTM)	Maturity Date	Face Value	Purchase Price	General Ledger Balance	Current Market Value	Purchase Date
<b><u>Treasury Notes (**)</u></b>	0.0%							
Totals				0	0	0	0	
Average Maturity (Days/Years)			0.0					
<b><u>Agency Notes(**)</u></b>	0.0%							
Call date								
Totals		0.00%		0	0	0	0	
Average Maturity (Days/Years)		0	0.0					
Average Duration								
<b><u>City Investments</u></b>	2.3%							
Side Fund Pool Inv - PD	2.000%	2.00%	30-Jun-25	1,004,928	1,004,928	1,004,928	1,004,928	28-Jun-11
Side Fund Pool Inv - FF	2.000%	2.00%	30-Jun-25	902,539	902,539	902,539	902,539	28-Jun-11
Totals				1,907,467	1,907,467	1,907,467	1,907,467	
Average Maturity (Days/Years)		2.00%						
Average Duration		1,643						
<b><u>Pooled Investment</u></b>	97.7%							
LAIF	N/A	0.58%	Demand	56,548,064	56,548,064	56,548,064	56,825,873	Various
CAMP	N/A	0.12%	Demand	23,770,739	23,770,739	23,770,739	23,770,739	Various
				80,318,803	80,318,803	80,318,803	80,596,612	
Totals				82,226,270	82,226,270	82,226,270	82,504,079	
Average Maturity (Days/Years)		0.49%						
30-Dec-20	Days	38.8						
		-9.0						

**Activity Report**

Source: