



Agenda Report

MEETING DATE: Tuesday, February 9, 2021

TO: City Council

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

SUBJECT: MOTION TO ACCEPT JULY 2020 THROUGH SEPTEMBER 2020
INVESTMENT REPORT

STATEMENT OF ISSUES:

The Council is asked to accept investment reports on a quarterly basis.

RECOMMENDED ACTION:

Staff recommends that the City Council accept by motion the Investment Report for July 2020 through September 2020.

DISCUSSION:

The City's idle funds are invested to earn a competitive yield given the City's need for liquidity. Investments of idle funds are only made on 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. 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). CAMP has been around since 1989 serving the investment needs of public agencies. CAMP is a pool, which is a short-term cash reserve portfolio and cash management vehicle. The CAMP pool is AAA rated by Standard & Poor's. CAMP offers 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 LAIF 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 last several months' results are shown below on Table 1. The quarter totals for the cash invested.

Table I

| | July | August | September |
|--------------------------------|-------|--------|-----------|
| Cash Invested (\$MM) | 76.3 | 75.3 | 78.1 |
| City's Average Maturity (Days) | 51.7 | 55.9 | 46.9 |
| City's Average Yield | 0.82% | 1.16% | 1.02 |
| LAIF Yield | 0.92% | 1.36% | 1.21% |
| LAIF Cash Invested (\$MM) | 47.4 | 53.7 | 56.7 |

THE ECONOMY:

The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world. Following sharp declines in economic activity and the sharp increase in unemployment rates, these indicators have improved somewhat in recent months but remain well below their levels at the beginning of 2020. The path of the economy will depend significantly on the course of the virus. Overall financial conditions have improved in recent months. The Federal Reserve Committee decided to maintain the target range for the Federal Funds Rate at 0 to ¼ percent. The Committee expects to maintain its target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.

FINANCIAL IMPACT:

Currently we see a bit of an inverted yield curve on interest rates. This suggests the City's portfolio interest earnings will continue to be low. The Federal Reserve looks at economic growth very closely. If economic growth remains low, it will most likely leave interest rates unchanged until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.

ATTACHMENTS:

1. July through September 2020 Investment Portfolio

City of Watsonville
Investment Reports

Jul-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.

A handwritten signature in black ink, appearing to read "Cyn Czerwin".

Cynthia Czerwin
Administrative Services Director

A handwritten signature in purple ink, appearing to read "Marissa Duran".

Marissa Duran
Assistant Finance Director

| | |
|---------------------------|-------|
| Portfolio Average Return | 0.82% |
| Average Maturity (Days) | 51.7 |
| Comparative Yields: | |
| LAIF | 0.92% |
| One Year Agency Note | 0.17% |
| Six Month -Treasury Bills | 0.17% |

City of Watsonville
Investment Position Report
30-Jul-20

| | Coup. Rate | Yield (YTM) | Maturity Date | Face Value | Purchase Price | General Ledger Balance | Current Market Value | Purchase Date |
|--|---------------|----------------|------------------|---------------|-------------------|---------------------------|----------------------------|------------------|
| <u>Treasury Notes (**)</u> | 0.0% | | | | | | | |
| Totals | | | | 0 | 0 | 0 | 0 | |
| Average Maturity (Days/Years) | | | 0.0 | | | | | |
| <u>Agency Notes(**)</u> | 0.0% | | | | | | | |
| Call date | | | | | | | | |
| Totals | | 0.00% | | 0 | 0 | 0 | 0 | |
| Average Maturity (Days/Years) | | 0 | 0.0 | | | | | |
| Average Duration | | | | | | | | |
| <u>City Investments</u> | 2.8% | | | | | | | |
| Side Fund Pool Inv - PD | 2.000% | 2.00% | 30-Jun-25 | 1,142,711 | 1,142,711 | 1,142,711 | 1,142,711 | 28-Jun-11 |
| Side Fund Pool Inv - FF | 2.000% | 2.00% | 30-Jun-25 | 1,026,283 | 1,026,283 | 1,026,283 | 1,026,283 | 28-Jun-11 |
| Totals | | | | 2,168,994 | 2,168,994 | 2,168,994 | 2,168,994 | |
| Average Maturity (Days/Years) | | 2.00% | | | | | | |
| Average Duration | | 1,796 | | | | | | |
| <u>Pooled Investment</u> | | | | | | | | |
| LAIF | N/A | 0.92% | Demand | 47,353,270 | 47,353,270 | 47,353,270 | 47,585,907 | Various |
| CAMP | N/A | 0.51% | Demand | 26,749,534 | 26,749,534 | 26,749,534 | 26,749,534 | Various |
| | | | | 74,102,804 | 74,102,804 | 74,102,804 | 74,335,441 | |
| <u>Investment Management Services</u> | | | | | | | | |
| Merrill Lynch | 0 | 4.35% | | 0 # | 0 | 0 | 0 | Various |
| Totals | | 0.82% | | 76,271,798 | 76,271,798 | 76,271,798 | 76,504,435 | |
| Average Maturity (Days/Years) | | 51.7 | | | | | | |
| 30-Jul-20 | Days | 4.8 | | | | | | |

Activity Report

Source:

City of Watsonville
Investment Reports

Aug-20



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Cynthia Czerwin
Administrative Services Director

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Marissa Duran
Assistant Finance Director

| | |
|---------------------------|-------|
| Portfolio Average Return | 0.66% |
| Average Maturity (Days) | 51.5 |
| Comparative Yields: | |
| LAIF | 0.78% |
| One Year Agency Note | 0.13% |
| Six Month -Treasury Bills | 0.11% |

City of Watsonville
Investment Position Report
30-Aug-20

| | Coup. Rate | Yield (YTM) | Maturity Date | Face Value | Purchase Price | General Ledger Balance | Current Market Value | Purchase Date |
|--|---------------|----------------|------------------|---------------|-------------------|---------------------------|----------------------------|------------------|
| <u>Treasury Notes (**)</u> | 0.0% | | | | | | | |
| Totals | | | | 0 | 0 | 0 | 0 | |
| Average Maturity (Days/Years) | | | 0.0 | | | | | |
| <u>Agency Notes(**)</u> | 0.0% | | | | | | | |
| Call date | | | | | | | | |
| Totals | | 0.00% | | 0 | 0 | 0 | 0 | |
| Average Maturity (Days/Years) | | 0 | 0.0 | | | | | |
| Average Duration | | | | | | | | |
| <u>City Investments</u> | 2.9% | | | | | | | |
| Side Fund Pool Inv - PD | 2.000% | 2.00% | 30-Jun-25 | 1,142,711 | 1,142,711 | 1,142,711 | 1,142,711 | 28-Jun-11 |
| Side Fund Pool Inv - FF | 2.000% | 2.00% | 30-Jun-25 | 1,026,283 | 1,026,283 | 1,026,283 | 1,026,283 | 28-Jun-11 |
| Totals | | | | 2,168,994 | 2,168,994 | 2,168,994 | 2,168,994 | |
| Average Maturity (Days/Years) | | 2.00% | | | | | | |
| Average Duration | | 1,765 | | | | | | |
| <u>Pooled Investment</u> | | | | | | | | |
| LAIF | N/A | 0.78% | Demand | 46,353,270 | 46,353,270 | 46,353,270 | 46,580,994 | Various |
| CAMP | N/A | 0.31% | Demand | 26,756,322 | 26,756,322 | 26,756,322 | 26,756,322 | Various |
| | | | | 73,109,592 | 73,109,592 | 73,109,592 | 73,337,316 | |
| <u>Investment Management Services</u> | | | | | | | | |
| Merrill Lynch | 0 | 4.35% | | 0 # | 0 | 0 | 0 | Various |
| Totals | | 0.66% | | 75,278,586 | 75,278,586 | 75,278,586 | 75,506,310 | |
| Average Maturity (Days/Years) | | 51.5 | | | | | | |
| 30-Aug-20 | Days | -0.2 | | | | | | |

Activity Report

Source:

City of Watsonville
Investment Reports

Sep-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 | 0.60% |
| Average Maturity (Days) | 49.6 |
| Comparative Yields: | |
| LAIF | 0.69% |
| One Year Agency Note | 0.13% |
| Six Month -Treasury Bills | 0.12% |

City of Watsonville
Investment Position Report
30-Sep-20

| | Coup. Rate | Yield (YTM) | Maturity Date | Face Value | Purchase Price | General Ledger Balance | Current Market Value | Purchase Date |
|--|---------------|----------------|------------------|---------------|-------------------|---------------------------|----------------------------|------------------|
| <u>Treasury Notes (**)</u> | 0.0% | | | | | | | |
| Totals | | | | 0 | 0 | 0 | 0 | |
| Average Maturity (Days/Years) | | | 0.0 | | | | | |
| <u>Agency Notes(**)</u> | 0.0% | | | | | | | |
| Call date | | | | | | | | |
| Totals | | 0.00% | | 0 | 0 | 0 | 0 | |
| Average Maturity (Days/Years) | | 0 | 0.0 | | | | | |
| Average Duration | | | | | | | | |
| <u>City Investments</u> | 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 | | 1,734 | | | | | | |
| <u>Pooled Investment</u> | | | | | | | | |
| LAIF | N/A | 0.69% | Demand | 46,353,270 | 46,353,270 | 46,353,270 | 46,580,994 | Various |
| CAMP | N/A | 0.27% | Demand | 23,761,842 | 23,761,842 | 23,761,842 | 23,761,842 | Various |
| | | | | 70,115,112 | 70,115,112 | 70,115,112 | 70,342,836 | |
| <u>Investment Management Services</u> | | | | | | | | |
| Merrill Lynch | 0 | 4.35% | | 0 # | 0 | 0 | 0 | Various |
| Totals | | 0.60% | | 72,153,668 | 72,153,668 | 72,153,668 | 72,381,392 | |
| Average Maturity (Days/Years) | | 49.6 | | | | | | |
| 30-Sep-20 | Days | -1.9 | | | | | | |

Activity Report

Source: