Agenda Report

MEETING DATE: **Tuesday, June 22, 2021**

TO: **City Council**

FROM: **ADMINISTRATIVE SERVICES DIRECTOR CZERWIN**
Marissa Duran, Assistant Finance Director

SUBJECT: **MOTION TO ACCEPT JANUARY 2021 THROUGH MARCH 2021 INVESTMENT REPORT**

STATEMENT OF ISSUES:
The City Council is asked to accept the quarterly Investment Report.

RECOMMENDED ACTION:
It is recommended that Council accept the Investment Report for the period of January 2021 through March 2021 by motion.

DISCUSSION:
The City's idle funds are invested to earn a competitive yield and to 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 March 2021 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 in the amount of $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 its 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 on Table 1.

Table I

	January	February	March
Cash Invested ($MM)	82.2	80.2	80.1
City's Average Maturity (Days)	38.1	38.3	35.1
City's Average Yield	0.41%	0.37%	0.37%
LAIF Yield	0.46%	0.41%	0.41%
LAIF Cash Invested ($MM)	56.6	56.6	56.6

THE ECONOMY:

U.S. businesses in May added the most jobs in nearly a year, suggesting companies are making headway filling a record number of vacancies as the economy strengthens. The 978,000 increase in private payrolls was the largest since June 2020 and reflected a large pickup in hiring in the leisure and hospitality industry, according to ADP Research Institute data released Thursday. The median projection in a Bloomberg survey of economists called for a May increase of 650,000. April employment was revised down to a 654,000 gain from 742,000.

Employment rose by 128,000 in goods-producing industries and 850,000 among service-providers. The largest payrolls gain was in leisure and hospitality, which posted a 440,000 jump from a month earlier, also the largest advance in 11 months. Payrolls rose by 119,000 in health care, 65,000 in construction and 68,000 in business services. Hiring was consistent across all business sizes, including a 333,000 gain at small businesses.

Global food prices extended their rally to the highest in almost a decade. A United Nations gauge of world food costs climbed for a 12th straight month in May, its longest stretch in a decade. Drought in key Brazilian growing regions is crippling crops from corn to coffee, and vegetable oil production growth has slowed in Southeast Asia. That's boosting costs for livestock producers and risks further straining global grain stockpiles that have been depleted by soaring Chinese demand.

Mortgage rates in the U.S. rose, holding just below 3%. The average for a 30-year loan was 2.99%, up from 2.95% last week, Freddie Mac said. Rates hovering around 3% -- and close to the record low -- are continuing to give Americans an incentive to buy a home. Current borrowers have been able to save money by refinancing into cheaper loans. The record low for a 30-year fixed loan was 2.65%, reached in January.

FINANCIAL IMPACT:

The yield on the benchmark 10-year Treasury note fell 3.7 basis points to 1.491. One basis point is equal to 0.01%. This drop will most likely keep our earning rates low. 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 year.

ATTACHMENTS AND/OR REFERENCES (If any):

1) January through March 2021 Investment Portfolio