

BLUE FOLDER ITEM

Blue folder items are additional back up material to administrative reports and/or public comments received after the printing and distribution of the agenda packet for receive and file.

CITY COUNCIL MEETING May 12, 2020

N.1 DISCUSSION AND POSSIBLE ACTION TO RECEIVE AND FILE CITY TREASURER'S THIRD QUARTER FISCAL YEAR 2019-20 REPORT

CONTACT: STEVEN DIELS, CITY TREASURER

Powerpoint presentation for discussion item of the City Treasurer's Third Quarter 2019-20 Report



TREASURER'S REPORT

Redondo Beach

FY19/20 Q3

Presented By: Steven Diels, City Treasurer

Nilesh Mehta, Chief Deputy City Treasurer



Treasurer's Quarterly Admin Report

- **Treasurer's Portfolio Summary**
- **Investment Reporting Guidelines**
- **Investment Report by FTN Main Street**
 - **Portfolio Summary**
 - **Investment Policy Compliance**
 - **Investment Activity Report**
 - **Economic and Market Update**



Treasurer's Report PowerPoint Presentation:

- **Investment Reporting Objectives/Guidelines**
- **Policy Compliance**
- **Quarterly Performance**
- **Mark to Market/Book VS Market**
- **Treasury Yields Chart**

Key Investment Objectives –

The generally accepted objectives in managing public funds, in priority order, are:

- **Safety** - Protect Principal
- **Liquidity** – Provide necessary liquidity to cover both ongoing and unexpected cash needs
- **Yield** – Maximize earnings recognizing need for safety and liquidity, and subject to restrictions specified by state statutes and the local governing body



INVESTMENT REPORTING GUIDELINES - CMTA

- **Always remember whose money it is (it's the community's, not yours) – and act according in a responsible stewardship capacity.**
- **An investment manager's objective is to earn a reasonable rate of return on the City's investments, while preserving capital in the overall portfolio.**
- **It should never be an investment manager's goal to earn maximum returns on the City's portfolio that would expose the City to an unacceptable level of risk.**

POLICY COMPLIANCE

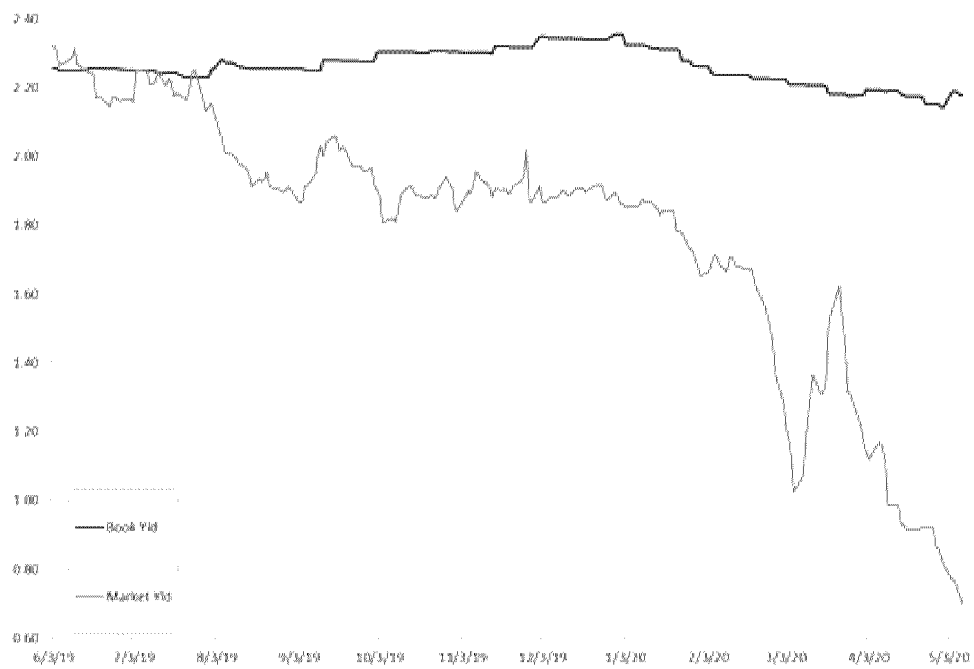
Item / Sector	Parameters	In Compliance
Weighted Average Maturity	Weighted Average Maturity (WAM) no greater than 2.5 years.	Yes: 2.02 Yrs
Liquidity: Less than 1 Year	At least 25% of the portfolio must have maturities of 1 year or less.	Yes: 30.3%
Liquidity: Less than 3 Years	At least 50% of the portfolio must have maturities of 3 years or less.	Yes: 69.7%
U.S. Treasuries	No limit, maximum maturity 5 years.	Yes: 11.1%
U.S. Federal Agencies	No limit, 40% issuer limit, maximum maturity 5 years.	Yes: 44.7%
Bankers' Acceptances	Sector limit 40%, issuer limit 5%, maximum maturity 180 days, A-1/P-1 by two.	Yes: 0.0%
Time Deposits	No sector limit, collateralized according to State Code.	Yes: 0.0%
Local Agency Investment Fund	No more than \$65 million.	Yes: \$14 Mil
Negotiable Certificates of Deposit	Sector limit 30%, issuer limit no greater than FDIC insured limit (currently \$250,000), max maturity 5 years, Issued by national/state charter banks or savings and loan associations.	Yes: 3.6%
Commercial Paper	25% limit, 5% per issuer, maximum maturity 270 days, A-1 (S&P)/P-1 (Moody's), issued by a domestic corporation w/ at least \$500 million of assets and A- (S&P)/A3 (Moody's) long term debt.	Yes: 0.0%
Corporate Medium Term Notes	Sector limit 30%, issuer limit 5%, max maturity 5 years, rated A (S&P/Fitch)/A2 (Moody's) by one, issued by domestic corporation/depositories.	Yes: 25.2%
Money Market Funds	Sector limit 15%, Issuer limit 10%, rated AAA by two of the three rating services.	Yes: 0.0%
CD Placement Service	Sector limit 30% (combined w/ negotiable CDs).	Yes: 0.0%
Collateralized Bank Deposits	No sector limit, collateralized according to State Code.	Yes: 0.0%
Supranationals	Sector limit 15%, Issuer limit 5% (IBRD, IFC, and IADB), Max maturity 5 years, AA or better by at least 1 of 3 rating agencies.	Yes: 0.0%
CalTRUST	30% limit, authorized if City Council first executes a JPA agreement.	Yes: 0.0%

FY 19-20 Performance

Market Value Comparison of Investment Portfolio Positions F.Y. 2019-2020

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type		%		%		%		%
Cash in Banks & Money Markets	\$8,004,405	*	\$10,421,483	*	\$5,306,333	*		
Local Agency Investment Fund	\$7,000,000	8.3%	\$17,052,131	19.7%	\$14,000,000	15.40%		
Federal Agency Issues	\$41,455,587	49.1%	\$35,460,741	40.9%	\$40,606,033	44.70%		
Commercial Paper								
Corporate Medium Term Notes	\$24,837,904	29.4%	\$22,851,300	26.4%	\$22,865,644	25.20%		
Bank Certificates of Deposit	\$3,223,020	3.8%	\$3,222,544	3.7%	\$3,222,661	3.60%		
Treasuries	\$7,994,458	9.5%	\$8,041,480	9.3%	\$10,073,719	11.10%		
Total: Investment Portfolio	\$84,510,969	100.0%	\$86,628,195	100.0%	\$90,768,058	100.00%		
Weighted Average Maturity (Yrs)	2.1		1.89		2.02			
Portfolio Effective Rate of Return (YTD)	2.23%		2.27%		2.26%			
L.A.I.F. Yield	2.28%		2.04%		1.79%			
Yield on Benchmark	2.06%		2.08%		2.06%			
Interest earned YTD	\$502,505.00		\$973,145		\$1,483,028			
General Fund Contribution (44%)	\$221,102		\$428,184		\$652,532			

Portfolio Book Yield and Market Yield





Mark to Market – Comparison of Portfolio to Current Market Conditions

Market Value (aka Net Asset Value NAV) = 1.027

- **NAV > 1 Value exceeds cost of investments.
Indicates falling interest rate environment**
- **NAV < 1 Cost of investments exceeds value.
Indicates rising interest rate environment**
- **If NAV <<>> 1, Check policy adherence.**



Mark to Market – Comparison of Portfolio to Current Market Conditions

Current Market Value = \$93,201,929

Book (Par) Value = \$90,768,058.

Unrealized Gain = \$2,433,871.

Falling Interest Rate Environment:



Portfolio Summary from March 2020

	3/31/20
Market Value	\$93,201,929
Book Value*	\$90,768,058
Variance	\$2,433,871
Par Value	\$90,724,000
Net Asset Value	\$102.681
Book Yield	2.19%
Years to Maturity	2.02
Effective Duration	1.96

Portfolio Metrics	3/31/2020
Market Value	\$93,201,929
Book Value	\$90,768,058
Par Value	\$90,724,000
Net Asset Value	\$1.027
Yield to Maturity	2.19%
2Yr Treasury Note Yield	0.25%
LAIF Yield (monthly avg)*	1.79%
Average Years to Maturity	2.02
Effective Duration	1.96

Portfolio Summary from December 2018

	12/31/18
Market Value	\$85,898,724
Book Value*	\$86,544,436
Variance	-\$645,712
Par Value	\$86,736,000
Net Asset Value	\$99.254
Book Yield	1.96%
Years to Maturity	1.51
Effective Duration	1.44

Portfolio Metrics	12/31/2018
Market Value	\$85,898,724
Book Value	\$86,544,436
Par Value	\$86,736,000
Net Asset Value	\$0.993
Yield to Maturity	1.96%
2Yr Treasury Note Yield	2.49%
LAIF Yield (monthly avg)*	2.29%
Average Years to Maturity	1.51
Effective Duration	1.44



Upshot:

- Investment policy adherence protects principle.
- Market comparisons to the City's Portfolio Book Value reflect neither realized gains nor realized losses in the portfolio.
- The City always realizes the par value of investments for instruments held until maturity.
- If we must liquidate a portion of investments for liquidity needs before maturity, we can do so without a loss of principle.
- Lower interest rates will generate lower returns for the portfolio as funds are reinvested at lower rates.



The City's Principle is Safe

Safety
Liquidity
Yield

Thank You!