



STAFF REPORT

**REPORT to the MAYOR and MEMBERS of the CITY COUNCIL
From the CITY MANAGER**

DATE: May 10, 2022

SUBJECT: Treasurer's Report for the Quarter Ended
March 31, 2022

ISSUING DEPARTMENT: Finance Department – City Treasurer

SUMMARY

PORTFOLIO VALUE:

The City's portfolio ended the quarter with a Market Value of \$69,526,011. This represents a discount of \$1,329,478 from Par value, or purchase price. As we have a "Buy and Hold" policy, there is no economic gain or loss upon call or maturity. The security earns interest at the stated rate through the date of redemption.

EARNINGS:

Earnings for the nine months ended March 31, 2022, were \$458,497. This represents a decrease of \$53,127 from the prior year's nine months earnings. The portfolio yield dropped to .97% from 1.21% in the prior year. The portfolio yield and related earnings should improve modestly as investment rates begin to reflect the Federal Reserve's recent interest rate strategies.

LIQUIDITY:

Liquidity is excellent with \$32,986,489 in LAIF for immediate availability. The invested portfolio is laddered having an average maturity of 3.5 years and \$4,472,000 maturing within twelve months for additional liquidity, if necessary.

INTEREST RATE ENVIRONMENT:

The Federal Reserve has ended their bond purchase program effective in March 2022, thus taking away much of the stimulus they have been providing during the pandemic recovery. The Fed Funds rate increased by .25% in March and expectations are presently for up to three additional .50% increases in 2022. Inflation has far exceeded the Fed's 2% goal and has now become a formidable headwind to the economy, prompting these monetary moves. The Fed has shifted their priority to fighting inflation from propping up the economy. We will continue to look for opportunities to safely increase the City's portfolio earnings.

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City's Strategic Goal

To maintain a financially sound and affordable city government

SAFETY

Federal Agencies

- Carries the implied guarantee of the U.S. Government

Corporate Securities

- The City's Investment Policy requires ratings of Double A (AA) or better

Certificates of Deposit

- Guaranteed by the FDIC to \$250,000

Local Agency Investment Fund (LAIF)

- Managed by the Treasurer of the State of California; consists primarily of U.S. Treasuries, Government Agencies, and other short-term investments.

LIQUIDITY

LAIF balance of \$32,986,489 represents the City's immediate cash and is 46.5% of the portfolio. Additionally, the portfolio is structured to ladder maturities to provide an additional element of liquidity. As investments mature, they can be reinvested at current rates or redeemed to provide additional operating cash. The invested portfolio of Federal Agencies, Corporate Securities, and Certificates of Deposit has an average maturity of 3.5 years with \$4,472,000 maturing within one year for added liquidity.

EARNINGS

Following are highlights of financial activities:

	9 Months Ended 3/31/21	12 Months Ended 6/30/21	3 Months Ended 9/30/21	6 Months Ended 12/31/21	9 Months Ended 3/31/22
Average YTD Portfolio Bal	\$ 54,460,621	\$ 58,988,097	\$ 58,997,937	\$ 58,629,022	\$ 62,965,276
Quarterly Earnings	\$ 138,661	\$ 136,133	\$ 182,846	\$ 132,285	\$ 143,366
YTD Earnings	\$ 511,624	\$ 647,757	\$ 182,846	\$ 315,131	\$ 458,497
YTD Yield	1.21 %	1.10 %	1.24 %	1.07 %	.97 %

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PORTFOLIO PROFILE

To achieve the City's Strategic Goal, the City's primary investment objectives in order of priority are **Safety, Liquidity and Earnings**. Key to each of these objectives is a well-diversified portfolio that minimizes credit and interest rate risk and provides necessary liquidity. The City's portfolio is designed to meet these objectives as summarized in the following table which is presented at par values:

Maturity (Years)	Federal Agencies	Corporate Securities	Certificates of Deposit	LAIF	Total 3/31/2022	% of Portfolio
0 – 1	\$ 1,000,000	\$ -0-	\$ 3,472,000	\$ 32,986,489	\$ 37,458,489	52.9 %
1 – 2	500,000	-	3,214,000	-	3,714,000	5.2 %
2 – 3	-	-	3,953,000	-	3,953,000	5.6%
3 - 4	5,000,000	1,000,000	994,000	-	6,994,000	9.9 %
4 – 5	17,000,000	-	1,736,000	-	18,736,000	26.4 %
Totals	\$ 23,500,000	\$ 1,000,000	\$ 13,369,000	\$ 32,986,489	\$ 70,855,489	100.0 %
Portfolio %	33.2 %	1.4 %	18.9 %	46.5 %	100.0 %	
Earnings Rate	1.31%	.86 %	2.13 %	.32 %	1.02 %	
Weighted Average Maturity	4.3 yrs.	3.8 yrs.	2.1 yrs.	n/a	3.5 yrs.	

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PORTFOLIO ACTIVITY

During the quarter, there were four 5-year Agencies purchased with an average interest rate of 2.35%. No Agencies were called or matured during the quarter.

Two Certificates of Deposit were purchased at an average rate of 1.95% with three Certificates of Deposit maturing at an average rate of 2.33%.

<u>Maturity</u>	<u>Rate</u>	<u>Par Value</u>
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Federal Agencies Purchased:

FHLB (callable)	5 year	2.01 %	\$ 1,000,000
FHLB (callable)	5 year	2.50	1,000,000
FHLB (callable)	5 year	2.50	1,000,000
FHLB (callable)	5 year	2.38	1,000,000

Federal Agencies Called or Matured:

None

Certificate of Deposit Purchased:

Beal Bank	5 year	1.90 %	\$ 247,000
American Express National Bank	5 year	2.00	247,000

Certificates of Deposit Matured:

Peoples Utd Bank	5 year	2.05 %	\$ 247,000
Kern Schools Federal Credit Union	3 year	2.80	249,000
Belmont Savings Bank	5 year	2.15	247,000

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PORTFOLIO COMPLIANCE

The portfolio complies with California code sections concerning safety and liquidity in the investment of public funds. Investment strategies are based on liquidity requirements and interest rate projections and have been collaboratively determined by the City Treasurer, City Manager, and Director of Finance. The City Treasurer executes trades in accordance with these strategies.

Required Contents of Investment Reports

California Government Code Section 53646(b) suggests that the quarterly investment report of a local agency contain certain items. These items include the type of investment, the issuer's name, the date of maturity of the security, the par amount of the instrument, the market value, and the dollar amount invested in each security. The source of the market value also should be included in the report. The report also must reference all funds that are under the management of external investment providers, such as investment advisors and investment managers. A local government's quarterly report, if submitted, must state the portfolio's compliance with the agency's investment policy or manner in which the portfolio is not in compliance. Finally, the investment report must include a statement regarding the local agency's ability to meet its cash flow needs for the next six months.

Accordingly, I advise you of the following facts in compliance with Government Code Section 53646(b):

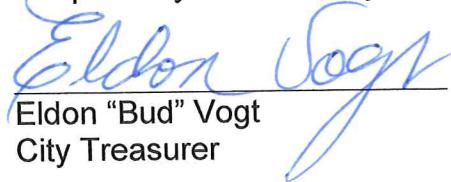
1. The source of the valuations included herein is U.S. Bank, Saint Paul, MN 55107.
2. No funds are under the management of external providers or managers. Investment decisions are made by a consensus of the City Treasurer, City Manager, and Director of Finance.
3. The City's portfolio remains in strict compliance with the Investment Policy of the City of La Mesa for FY 2021-2022.
4. The City of La Mesa's investment portfolio more than adequately assures the City's ability to meet its cash flow needs during the ensuing six months.

Reviewed by



Greg Humora
City Manager

Respectfully submitted by



Eldon "Bud" Vogt
City Treasurer

Attachments:

A - Treasurer's Report on Investment Earnings for the Quarter ended March 31, 2022

B - Schedule of Investments – Summary

C - Schedule of Investments – Detail



Date: 5/10/2022
To: Mayor and Members of the City Council
From: Eldon Vogt, City Treasurer

Subj: TREASURER'S REPORT ON INVESTMENT EARNINGS
PERIOD ENDING: March 31, 2022

In accordance with Section 53646 (b) of the California Government Code, the following report of earnings yielded on investments is respectfully submitted. This report further specifies that investments have been made pursuant to subdivision (i) of Section 53601, Section 53601.1, and subdivision (i) of Section 53635.

INVESTMENT EARNINGS
PERIOD July 2021-March 2022

MONTHS TO DATE	<u>PRINCIPAL INVESTED</u>
JULY 2021	\$59,928,605
AUGUST 2021	\$60,927,235
SEPTEMBER 2021	\$56,137,970
OCTOBER 2021	\$57,975,950
NOVEMBER 2021	\$56,902,478
DECEMBER 2021	\$59,901,892
JANUARY 2022	\$71,525,588
FEBRUARY 2022	\$72,022,683
MARCH 2022	\$71,365,081

<u>TYPES OF EARNINGS</u>	<u>EARNINGS</u>
Investment Earnings Received	\$349,486
Accrued Interest:	
Federal Agencies	48,329
Corporations	34,645
LAIF	26,037

YEAR TO DATE INVESTMENT EARNINGS \$458,497

PER ANNUM YIELD ON INVESTMENTS
Total of Monthly Principals Divided by \$566,687,482
Total Months Invested 9
AVERAGE MONTHLY PRINCIPAL INVESTED \$62,965,276

INVESTMENT EARNINGS TO DATE \$458,497

PORTION OF YEAR COMPLETED 75%

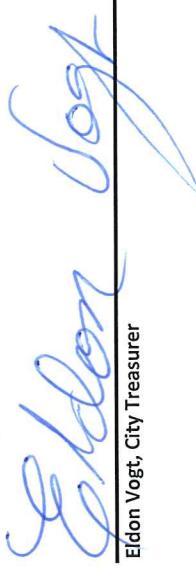
PER ANNUM RATE ON INVESTMENT EARNINGS TO DATE 0.97%

(1) Losses on Principal on investments held to maturity occur because of the requirements of Governmental Accounting Standards Board (GASB) Statement Number 31. Investments are updated to market value at fiscal year end. The unrealized gain (or loss) is "booked" as investment earnings (or loss) at that time. Subsequently, at the time an investment matures, the difference between the market value and the par value must be "booked" as a gain or loss. Over time, there are no gains or losses on investments held to maturity.

City of La Mesa
Schedule of Investments-Summary
For the Month Ending MARCH 2022

Issuer	Type of Investment	Maturity Date	Par Value	Book Value	Market Value	Market vs. Book
State of California	LAIF 98-37-421	Demand	32,986,489	32,986,489	32,986,489	
Federal Agencies	Medium Term Notes	07/2022 - 03/2027	23,500,000	23,520,455	22,373,155	
Corporate Obligations	C.D.s & Corporate Investments	04/2022 - 03/2027	14,369,000	14,858,137	14,166,367	
	Totals		70,855,489	71,365,081	69,526,011	(1,839,070)
			97%			

I certify that the investment of funds is in conformance with California Government Code section 53600. Those investments valued at below market cost will be held until maturity or until they can be sold without a loss. I also certify that the investment of funds provides the cash flow liquidity to meet the next six month's estimated expenditure requirements.


Eldon Vogt

Eldon Vogt, City Treasurer

