



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

DATE: February 28, 2023

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

ISSUING DEPARTMENT: Finance Department – City Treasurer

SUMMARY

PORTFOLIO VALUE:

The City's portfolio ended the quarter with a market value of \$70,442,191.75. This represents a discount of \$3,492,179.25 from par value, or purchase price. As the City maintains an Investment Policy that follows a strict "buy and hold" strategy, there is no economic gain or loss upon call or maturity. The City's securities continue to earn interest at the stated rates through the dates of redemption.

LIQUIDITY:

Liquidity meets the statutory requirements with \$23,592,501 in LAIF for immediate availability. "LAIF" stands for Local Agency Investment Fund, and is operated by the California State Treasurer to act as an immediate-access account for local governments and special districts in California.

EARNINGS:

Investment earnings for the fiscal year to date, from July 1, 2022, through December 31, 2022, total \$492,048, and the per annum rate on investment earnings during that period is 1.38%.

City's Strategic Goal

**To maintain a financially sound and affordable
city government**

SAFETY

Federal Agencies

- Carries the implied guarantee of the United States 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 California State Treasurer; consists primarily of U.S. Treasuries, government agency bonds, and other short-term investments.

LIQUIDITY

LAIF balance of \$23,592,501 represents the City's immediate cash and is 31.9% of the portfolio. Additionally, as investments mature, they can be reinvested at then-current rates or redeemed to provide additional operating cash. The invested portfolio of government agency bonds, corporate securities, and certificates of deposit has an average maturity of 3.13 years with \$4,959,000 maturing within one year for added liquidity.

EARNINGS

The earnings and yields over the last five quarters are as follows:

	6 Months Ended 12/31/2021	9 Months Ended 3/31/2022	12 Months Ended 6/30/2022		3 Months Ended 9/30/2022	6 Months Ended 12/30/2022
Avg YTD Balance	\$58,629,022	\$62,965,276	\$67,750,836	New	\$70,953,572	\$71,451,088
Quarterly Earnings	\$132,285	\$143,366	\$250,451	Fiscal	\$365,378	\$126,670
YTD Earnings	\$315,131	\$458,497	\$688,948	Year	\$365,378	\$492,048
YTD Yield	1.07%	0.97%	1.02%	Begins	2.06%	1.38%

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. This table represents the City's holdings as of December 31, 2022:

Maturity (Years)	Gov. Agencies	Corporate Securities	Certificates of Deposit	LAIF	Total 9/30/2022	% of Portfolio
0 – 1	\$ 500,000	\$ -0-	\$ 3,466,000	\$ 23,592,501	\$ 27,558,501	37.3 %
1 – 2	1,000,000	500,000	2,975,000	-	4,475,000	6.0 %
2 – 3	7,000,000	-	2,464,000	-	9,464,000	12.8 %
3 - 4	11,000,000	1,000,000	1,737,000	-	13,737,000	18.6 %
4 – 5	15,000,000	-	3,714,000	-	18,714,000	25.3 %
Totals	\$ 34,500,000	\$ 1,500,000	\$ 14,356,000	\$ 23,592,501	\$ 73,948,501	100.0 %
Portfolio %	46.7 %	2.0 %	19.4 %	31.9 %	100.00 %	
Earnings Rate	2.15 %	1.92 %	2.29 %	2.07 %	2.15 %	
Weighted Average Maturity	3.53 yrs.	2.84 yrs.	2.28 yrs.	n/a	3.15 yrs.	

PORTFOLIO ACTIVITY

During the quarter, the City purchased one government agency bond and two certificates of deposit. Four certificates of deposit matured. No other holdings in the City's portfolio matured, were called, or were purchased.

	<u>Maturity</u>	<u>Rate</u>	<u>Par Value</u>
<u>Government Agency Bonds Purchased:</u>			
FHLMC (callable)	5 year	5.02 %	\$ 1,000,000
<u>Certificates of Deposit Purchased:</u>			
Synchrony Bank	5 year	4.60 %	\$ 244,000
Direct Federal Credit Union	5 year	4.80 %	\$ 248,000
<u>Certificates of Deposit Matured:</u>			
Mountain America Credit Union	5 year	2.30 %	\$ 249,000
Jefferson Financial Federal Credit Union	5 year	2.45 %	\$ 246,000
Knoxville Employees Cr Union	5 year	2.30 %	\$ 249,000
First Internet Bk of IN	5 year	2.40 %	\$ 249,000

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 2022-2023.
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

Respectfully submitted by

Greg Humora
City Manager

Matt Strabone
City Treasurer

Attachments:

- A - Treasurer's Report on Investment Earnings for the Quarter ended December 31, 2022
- B - Schedule of Investments – Summary
- C - Schedule of Investments – Detail