



ADMINISTRATIVE SERVICES DEPARTMENT

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AUDIT COMMITTEE STAFF REPORT

Meeting: May 23, 2022

Subject

Consider the Monthly Treasurer's Investment Report for April 2022

Recommended Action

Review and consider accepting Monthly Treasurer's Investment Report for April 2022

Discussion

Background

On May 17, 2021, the City Council approved the City Investment Policy. Per the City's Investment Policy, the Treasurer shall submit monthly transaction reports to the City Council within 30 days of the end of the reporting period in accordance with California Government Code Section 53607. The monthly investment report is in addition to the quarterly investment report, submitted to the City Council approximately 45 days following the end of the quarter. The quarterly investment report offers a more extensive discussion of the City's economy, cash flow, and investments.

The City's Municipal Code Section 2.24.050 Investment Authority states that the Treasurer shall make a monthly report of all investment transactions to the City Council. Lastly, the City's Municipal Code Section 2.88.100 Duties-Powers-Responsibilities lists one of the powers and functions of the Audit Committee is "to review the monthly Treasurer's report."

Per the referenced code provisions, a Treasurer's Investment Report shall be submitted to the Audit Committee and City Council every month.

Treasurer's Investment Report

The report provides an update on the City's investment portfolio for the month ending April 30, 2022. The attached statements include balances and transactions of the City's investments with Local Agency Investment Funds (LAIF) and Chandler Asset Management.

While not governed by the City's Investment Policy, statements for the City's Wells Fargo cash accounts and Public Agency Retirement Services (PARS) Section 115 Trusts are also attached per a request from the Treasurer's Report sub-committee.

Local Agency Investment Fund (LAIF)

As of April 30, 2022, the City's Local Agency Investment Fund (LAIF) account had a balance of \$21.1 million, an increase of \$16,583 from the prior month due to a quarterly interest deposit. The City did not make any deposits or withdrawals in April 2022.

Investment Portfolio

In FY 2018-19, the City selected Chandler Asset Management for investment management services through a Request for Proposal (RFP). Under the City's Treasurer's direction, Chandler Asset Management manages the City's investment portfolio in accordance with the City's investment objectives. The City's investment objectives, in order of priority, are to provide:

- Safety to ensure the preservation of capital in the overall portfolio
- Sufficient liquidity for cash needs
- A market rate of return consistent with the investment program

The performance objective is to earn a total rate of return through a market cycle equal to or above the return on the benchmark index. To achieve the objective, Chandler Asset Management invests in high-quality fixed-income securities consistent with the City's Investment Policy and California Government Code.

As of April 30, 2022, the book value was \$154.8 million, compared to \$154.7 million the prior month. The market value was \$148.9 million, compared to \$150.2 million the prior month. The portfolio's average modified duration was 2.50 and the monthly rate of return was -0.88%. The market value of the portfolio fluctuates depending on interest rates. When interest rates decrease after an investment is purchased, the market value of the investment increases. In contrast, when interest rates increase after an investment is purchased, the market value of the investment decreases. The market values were provided by Chandler Asset Management.

The assets managed by Chandler Asset Management are in full compliance with state law and the City's Investment Policy.

Section 115 Trust Investment Portfolio

The City established Section 115 Trusts to reduce pension rate volatility and pre-fund Other Post-Employment Benefits (OPEB) costs. A Section 115 Trust is a tax-exempt investment tool that allows local governments to pre-fund pension and retiree health costs. Once contributions are placed into the trust, assets from the trust can only be used to fund retirement plans. Public Agency Retirement Services (PARS) is the trust administrator, and US Bank is the investment manager for the Section 115 Trusts.

The Section 115 Trusts are not governed by the City's Investment Policy but by separate investment policies.

On December 7, 2021, City Council approved the Pension Trust Investment Policy and OPEB Trust Investment Policy. Both Section 115 Trusts are invested in "balanced" portfolios. The investment objective is designed to provide a moderate amount of current income with moderate growth of capital. It is recommended for investors with a long-term time horizon. The strategic asset allocation ranges for this objective are:

Asset Class	Range
Equities	50-70%
Fixed Income	20-40%
Real Estate	0-15%
Commodities	0-10%
Cash	0-10%

As of April 30, 2022, the Section 115 Pension Trust had a balance of \$16.4 million, a decrease of \$1.2 million from the prior month. The Section 115 OPEB Trust had a balance of \$33.7 million, a decrease of \$2.4 million from the prior month. The monthly investment returns for the Section 115 Trusts were -6.64%. The City did not make any contributions or receive any distributions in April 2022.

Compliance

All of the City's investments comply with state law and the City's Investment Policy. In compliance with California Government Code 53646 (b)(3), the City maintains the ability to meet its expenditure requirements for the next six months.

Sustainability Impact

No sustainability impact.

Fiscal Impact

No fiscal impact.

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Director of Administrative Services and City Treasurer

Approved for Submission by: 

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Assistant City Manager

Attachments:

A – Chandler Investment Report April 2022

B – LAIF Statement April 2022

C – PARS Pension and OPEB Statement April 2022

D – Wells Fargo Operating Checking Account Statement April 2022

E – Wells Fargo Workers' Compensation Account Statement April 2022

F – Wells Fargo Payroll Account Statement April 2022

G – Wells Fargo Employee Benefits Account Statement April 2022

H – Chandler Custodial Statement April 2022