



Legislation Text

File #: 18-0150, **Version:** 1

Recommendation to receive and file the Investment Report for Quarter Ending December 31, 2017. (Citywide)

The Department of Financial Management, City Treasurer's Office, invests the City's funds in compliance with the California Government Code, Section 53600 et. seq., and the City's Investment Policy. As of December 31, 2017, these funds had a book value of approximately \$1.598 billion.

Statutory Compliance

All investment transactions have been executed in conformance with the City's Investment Policy and the California Government Code. The Investment Advisory Committee, composed of the Assistant City Auditor, Deputy City Attorney, City Treasurer, City Controller, Budget Management Bureau staff, and designated representatives from the Harbor and Water Departments, meets quarterly, or as needed, to review investment policies, strategies and performance. All portfolio transactions as of December 31, 2017, can be found in Attachment A.

Investment Strategies

The City's Investment Policy divides the investment portfolio into short-term, intermediate-term, and long-term portfolios. Their respective benchmarks are the Three-Month Treasury Bill, the One-Year Constant Maturity Treasury (CMT) and the BOA Merrill Lynch One-to-Five Year Treasury/Agency.

The short-term portfolio maintains a weighted average maturity of three to six months and provides sufficient liquidity to satisfy the City's short-term cash needs. The intermediate-term portfolio maintains a weighted average maturity of approximately one year and provides for the cash needs with maturities greater than six months. The long-term portfolio maintains a weighted average maturity of one to five years to satisfy the City's longer-term cash needs. The City's cash management goals are to maintain and preserve the safety of funds in custody and provide adequate liquidity for anticipated expenditure needs. Approximately \$540.7 million of the total investment pool, or approximately 34.05 percent of funds, will mature in the next six months, ensuring that sufficient funds are available to meet the City's liquidity needs.

Investment Position and Performance

The following table summarizes the City's investment pool position and performance for the quarter ending December 31, 2017:

INVESTMENT PORTFOLIO POSITION AND PERFORMANCE SUMMARY						
	INVESTMENT POSITION AS OF December 31, 2017			INVESTMENT PERFORMANCE ⁴ October 1, 2017 THROUGH December 31, 2017		
Portfolio	Book Value	Market Value ¹	Unrealized Gain/ (Loss) ²	Portfolio Total Return ³	Benchmark Total Return ³	Variance from Benchmark
Short-Term	\$352,831,831	\$352,012,367	(\$819,463)	0.20 percent	0.28 percent	(0.08) percent
Intermediate Term	\$713,921,795	\$709,271,313	(\$4,650,482)	0.01 percent	0.01 percent	0.00 percent
Long-Term	\$438,104,436	\$433,218,922	(\$4,885,514)	(0.32) percent	(0.37) percent	0.05 percent
Total Investments	\$1,504,858,062	\$1,494,502,603	(\$10,355,459)	(0.041) percent	(0.37) percent	(0.004) percent

Cash	\$93,515,473	\$93,515,473
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Total Cash and Investment	\$1,598,373,534	\$1,588,018,075
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- 1) *Book value is the initial value/outlay for an investment, while market value represents the value based on current market conditions.*
- 2) *Unrealized Gain/(Loss) is the difference between book and market value. It is directly related to the change in interest rates. As interest rates rise, the principal value of fixed income assets falls, causing the unrealized loss to increase, or vice versa. Typically, investments are held to maturity and therefore, gains/losses are rarely realized.*
- 3) *Total Return is an annualized performance measurement metric that includes income and both realized and unrealized gains/ (losses).*
- 4) *Investment Performance - Portfolio Total Return numbers are calculated as a weighted average.*

Investment portfolio holdings as of December 31, 2017, are included in Attachment B.

This matter was reviewed by Deputy City Attorney Amy R. Webber on January 24, 2018 and by Assistant Finance Director Lea Eriksen on January 26, 2018.

City Council action on this item is not time critical.

There is no fiscal or local job impact associated with this recommendation.

Approve recommendation.

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JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER