



## Legislation Text

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File #: 21-1000, Version: 1

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Recommendation to receive and file the Investment Report for Quarter Ending June 30, 2021. (Citywide)

The City Treasurer's Office in the Financial Management Department invests the City of Long Beach's (City) funds in compliance with the California Government Code, Section 53600 et. seq., and the City's Investment Policy. As of June 30, 2021, these funds had a book value of approximately \$2.196 billion.

### Statutory Compliance

All investment transactions have been executed in conformance with the City's Investment Policy and the California (CA) Government Code. The Investment Advisory Committee, composed of the Assistant City Auditor, Deputy City Attorney, City Treasurer, City Controller, 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 June 30, 2021, can be found in the Investment Trading Activity (Attachment A).

### Investment Strategies

The Investment Policy divides the City's investment portfolio into short-maturity, intermediate-maturity, and long-maturity portfolios. Their respective benchmarks are the Three-Month Treasury Bill Index, the ICE Bank of America Merrill Lynch (BAML) One-to-Three Year US Treasury/Agency, and the ICE Bank of America Merrill Lynch (BAML) One-to-Five Year US Treasury/Agency.

The short-maturity 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-maturity portfolio maintains a weighted average maturity of approximately one to three years and provides for the cash needs with maturities greater than six months. The long-maturity 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 \$908 million of the total investment pool, or approximately 41 percent of the funds, will mature in the next six months, ensuring that sufficient funds are available to meet the City's liquidity needs.

During this quarter, the City renewed its practice of investing in high investment grade quality corporate securities for diversification and flexibility. High-quality corporate securities have always been allowed under the City's Investment Policy. In 2008, the City stopped investing in corporate securities as a result of the Great Recession and the bankruptcy of the Lehman Brother Investment Bank, which caused losses for many corporations and governments that held Lehman corporate securities, including Long Beach. Chandler Asset Management (Chandler) actively manages investment in corporate securities by the City. Chandler is an experienced Investment Advisor that constantly monitors the market for potential issues and any other factors that might increase the risk to the City's investments. This active monitoring adequately mitigates the risk that these investments might pose, especially when considering that the corporate securities the City invests in are highly rated in the first place. High-quality investment-grade corporate securities will be gradually incorporated into the long-maturity portfolio over the next 12 months, up to an allocation approximately 5 percent of the total portfolio. Even though this allocation is significantly more conservative than the maximum allowed in the Government Code and the City's Investment Policy, it is the current intent of the City Treasurer's Office not to exceed approximately 5 percent of the total portfolio. As of June 30, 2021, investment in corporate securities totaled \$12,154,076 in market value or approximately 0.55 percent of the City's pool investment holdings.

### Investment Position and Performance

The following table summarizes the City's investment pool position and performance for the quarter ending June 30, 2021:

	INVESTMENT VALUE June 30, 2021		
Portfolio	Book Value	Market Value	Unrealized Gain (Loss)
Short-Maturity	\$601,943	\$601,389	(\$92,043)
Intermediate-Maturity	\$909,082	\$910,385	\$1,297
Long-Maturity	\$465,670	\$475,513	\$9,412
<b>Total Investments</b>	<b>\$1,976,092</b>	<b>\$1,987,752</b>	<b>\$10,612</b>

INVESTMENT PERFORMANCE <sup>4</sup>			
Quarterly Return <sup>3</sup>	Quarterly Benchmark	Quarterly Excess Return	Annualized Portfolio Return
0.06%	0.00%	0.06%	0.37%
0.02%	-0.03%	0.05%	0.03%
0.14%	0.11%	0.03%	-0.01%
0.07%	0.01%	0.06%	0.05%

<b>Total Cash</b>	<b>\$219,367</b>	<b>\$219,367</b>
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<b>Total Cash and Investments</b>	<b>\$2,196,159</b>	<b>\$2,206,419</b>
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- 1) *Book value is the initial value/outlay for an investment since the time of purchase (as much as five years ago) and still held in the portfolios, while market value represents the value at a point in time based on current market conditions of securities.*
- 2) *Unrealized Gain/(Loss) is the difference between book and market value. It is inversely related to the change in interest rates. As interest rates rise or fall, the value of fixed-income assets moves in the opposite direction. Typically, investments are held to maturity, and therefore, gains/losses are rarely realized.*
- 3) *Total return is a performance measurement metric that reflects the portfolio's overall value for this three-month period, if liquidated, including income and realized and unrealized gains and losses.*
- 4) *Investment Performance - Portfolio Total Return numbers are calculated as a weighted average.*
- 5) *Annualized Total Return is a performance measurement metric that reflects a rolling 12-month annualized return of the portfolio, which includes income and both realized and unrealized gains/(losses)*

Investment portfolio holdings as of June 30, 2021, are included in Attachment B.

This matter was reviewed by Deputy City Attorney Taylor M. Anderson on August 19, 2021 and by Revenue Management Officer Geraldine Alejo on August 18, 2021.

City Council action on this item is not time critical.

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

Approve recommendation.

KEVIN RIPER  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA  
CITY MANAGER