



## Legislation Text

---

**File #:** 17-0995, **Version:** 1

---

Recommendation to receive and file the Investment Report for Quarter Ending September 30, 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 September 30, 2017, these funds had a book value of approximately \$1.564 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 September 30, 2017 are listed 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 \$572.8 million of the total investment pool, or approximately 36.7 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 September 30, 2017:

INVESTMENT PORTFOLIO POSITION AND						
INVESTMENT POSI				INVESTMENT PERFO		
As of September 30, 2017				July 1, 2017 - FY17		
Portfolio	Book Value	Market Value	Unrealized Gain/(Loss)	Portfo Total B	Bench Total B	Variance
Short Term	\$302,707	\$301,852	(\$855)	100%	100%	0%
Intermediate	\$545,653	\$543,357	(\$2,296)	100%	100%	0%
Long Term	\$436,813	\$424,071	(\$12,742)	100%	100%	0%
Total Investments	\$1,285,173	\$1,269,280	(\$15,893)	100%	100%	0%
Cash	\$188,122	\$188,122	\$0	100%	100%	0%
<b>Total Cash Investments</b>	<b>\$1,563,598</b>	<b>\$1,563,598</b>	<b>\$0</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

1 Book value is the initial value/outlay for an investment, while market value represents the current market value.  
 2 Unrealized Gain/(Loss) is the difference between book and market value, it is directly related to the change in market value. If the market value of an investment falls, causing the unrealized loss to increase, or vice versa. Typically, this is due to changes in interest rates.  
 3 Total Return is an annualized performance measurement metric that includes income and capital appreciation.  
 4 Investment Performance - Total Investments Total Return numbers are calculated as a weighted average of the individual portfolio returns.

Investment portfolio holdings as of September 30, 2017, are included in Attachment B.

This matter was reviewed by Deputy City Attorney Amy R. Webber on October 23, 2017 and by Assistant Finance Director Lea Eriksen on October 13, 2017.

City Council action on this item is not time critical.

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

Approve recommendation.

JOHN GROSS  
 DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST  
 CITY MANAGER