



## Legislation Text

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**File #:** 21-0585, **Version:** 1

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Recommendation to receive and file the Investment Report for Quarter Ending March 31, 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 March 31, 2021, these funds had a book value of approximately \$1.575 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, 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 March 31, 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 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 \$650.38 million of the total investment pool, or approximately 40.92 percent of funds, will mature in the next six months, ensuring 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 March 31, 2021:

	<b>INVESTMENT VAL</b> <b>March 31, 2021</b>		
Portfolio	Book Value	Market Value	Unrealized Gain/(Loss)
Short-Maturity	\$233,660	\$233,631	\$2,709
Intermediate-Maturity	\$650,931	\$654,125	\$3,250
Long-Maturity	\$464,294	\$475,087	\$10,792
<b>Total Investments</b>	<b>\$1,348,885</b>	<b>\$1,362,843</b>	<b>\$14,009</b>

<b>INVESTMENT PERFORMANCE</b>			
Quarterly Return <sup>3</sup>	Quarterly Beta		Annualized Portfolio Total Return <sup>4</sup>
0.10%	0.02%		0.45%
-0.13%	-0.05%		0.11%
-0.55%	-0.51%		0.21%
-0.24%	-0.20%		0.19%

<b>Total Cash</b>	<b>\$226,652</b>	<b>\$226,652</b>
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<b>Total Cash and Investments</b>	<b>\$1,575,537</b>	<b>\$1,589,495</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 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)*

The quarter ending March 31, 2021, experienced rising market interest rates after a prolonged period of stable and historically low levels. The rise in market interest rates reduced the unrealized gains to \$14 million from the prior quarter's unrealized gains of \$21.6 million for securities purchased in the last five years and still held. As a result, the rise in market interest rates resulted in lower accumulated unrealized gains and the negative quarterly total return of -0.24 percent for the three months ended March 31, 2021. Generally, there is no realized loss since securities are typically held to maturity. Over the preceding 12 months, the investment portfolio generated an annualized total return of 0.19 percent.

Investment portfolio holdings as of March 31, 2021, are included in Attachment B.

This matter was reviewed by Deputy City Attorney Taylor M. Anderson on May 12, 2021 and by Revenue Management Officer Geraldine Alejo on May 11, 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.

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JOHN GROSS  
INTERIM DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA  
CITY MANAGER