

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: PAUL L. RODRIGUES, FINANCE DIRECTOR

DATE: APRIL 6, 2021

SUBJECT: SECOND QUARTER ENDING DECEMBER 31, 2020 FY 2020/21 INVESTMENT PORTFOLIO REPORT

RECOMMENDATION

It is recommended the City Council accept the City Investment Portfolio Report for the second quarter (October, November, December) of the fiscal year ending June 30, 2021 (FY 2020/21).

BACKGROUND

Pursuant to section XIII of the City of Clayton Investment Policy, the Finance Director is required to submit a quarterly investment report to the City Council. This quarterly report is also designed to meet the local agency reporting requirements outlined in *California Government Code* section 53646. The FY 2020-21 second quarter report is provided herein.

The City's Investment Policy guides staff and its advisors for all investment activities. Permitted investment activities are primarily governed by state law (*California Government Code* sections 53600-53610) and the City's adopted Investment Policy. The City's Investment Policy is consistent with state law and is designed to be more restrictive for the purpose of added safety and liquidity, which take precedence over yield. Section XVI of the Investment Policy states it shall be periodically reviewed by the City Treasurer and the City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return on investments, along with its relevance to current law, financial and economic trends, and to meet the needs of the City. The policy was last amended by the City Council, following recommendation by the former Finance Manager and City Treasurer on November 20, 2018 to add the California Asset Management Program (CAMP) as an authorized investment type. The Policy was last reviewed on November 17, 2020. No revisions to the Policy are being recommended at this time.

DISCUSSION

With the second quarter of the 2020/21 fiscal year complete, year-to-date interest earnings for

the General Fund are \$43,487 or 43% of forecasted General Fund interest revenues per the FY 2020-21 adopted budget of \$100,000. With 50% of the year complete, General Fund interest revenues are \$6,513 lower than the year-to-date budget estimate of \$50,000. City-wide investment earnings solely attributable to pooled investments (i.e., not related to cash with fiscal agents such as bond proceeds) through the second quarter of FY 2020/21, totaled \$116,364.

This quarter, the highest yielding investment type, investments in certificates of deposit, government agency bonds, and corporate bonds and notes comprised approximately 71% of the portfolio with a collective weighted average interest rate of 1.69%. Deposits held with pooled investment accounts at CAMP and LAIF, making up 16.3% of the portfolio, with weighted average interest rates of .12% and .54% respectively were the second highest yielding investment type.

The market value of the total investment portfolio was \$14,827,383, which is \$261,022 higher than total carrying value as of December 31, 2020. Currently, the estimated market value exceeds the cost of securities in the investment portfolio due to the City's heavy investment in two-to-five-year fixed income securities during the last year at rates averaging higher than current rates. The increase in market value demonstrates how the cautious nature of the City's investment strategy mitigates the risk of the City incurring large unrealized losses during market retractions. On the other hand, given less risk exposure, more predictable and modest investment returns will be realized following this same strategy.

While the earnings outcome of the second quarter of FY 2020/21 are lower than budgeted expectations, management is also expecting that investment income will continue to decline over the next several quarters of the fiscal year as the Federal Reserve cut interest rates to zero in March 2020. In September 2020 it was announced that rates would be kept in the range of 0.0% to 0.25% until 2023. Accordingly, we expect many of the investments purchased at higher yields will be called and replaced with lower yielding investments in CD's and government obligation instruments in the remainder of this fiscal year.

The City of Clayton Investment Portfolio was managed in accordance with the City's Investment Policy. Furthermore, the City's cash management program provides sufficient liquidity to meet the next ten months expenditures. The attached City of Clayton Investment Holdings Summary – Second Quarter of Fiscal Year 2020-21 (Attachment 1) provides additional analysis and the specific investment reporting criteria required by *California Government Code* section 53646.

FISCAL IMPACT

The acceptance of this report has no direct fiscal impact to the City of Clayton.

Attachments:

1. City of Clayton Investment Holdings Summary – Second Quarter of Fiscal Year 2020/21 (October 1, 2020 – December 31, 2020)

City of Clayton
Investment Holdings Summary
Qtr. Ending: Dec. 31, 2020

| Investment Account | Investment Type | Institution | CUSIP | Carrying Value | Rate | Current Yield | Settlement Date | Maturity Date | Market Value |
|-----------------------------|------------------------|-------------------------------------|-----------|----------------|-------|---------------|-----------------|---------------|--------------|
| CAMP | Local Agency Pool | California Asset Management Program | n/a | 890,475.70 | 0.12% | 0.12% | n/a | n/a | 890,475.70 |
| LAIF | Local Agency Pool | Local Agency Investment Fund | n/a | 1,490,260.89 | 0.54% | 0.54% | n/a | n/a | 1,490,260.89 |
| UBS Financial Services Inc. | Cash | UBS Cash Holding | n/a | 28,122.70 | 0.01% | 0.01% | n/a | n/a | 28,122.70 |
| UBS Financial Services Inc. | Money Market Fund | UBS Bank USA MMF Yield | n/a | - | 0.01% | 0.01% | n/a | n/a | - |
| | Certificate of Deposit | Morgan Stanley Bk, UT | 61747MG96 | 245,000.00 | 2.45% | 2.45% | 1/25/18 | 1/25/21 | 245,406.70 |
| | Certificate of Deposit | Truist Bank Charlotte, NC | 89788HAH6 | 100,000.00 | 1.70% | 1.70% | 2/4/20 | 2/3/21 | 100,156.00 |
| | Certificate of Deposit | Synchrony Bank, UT | 87164XLH7 | 94,000.00 | 1.70% | 1.69% | 3/4/16 | 3/4/21 | 94,302.68 |
| | Certificate of Deposit | Connectone England Cliffs, NJ | 20786ACD5 | 100,000.00 | 2.60% | 2.58% | 3/28/18 | 3/29/21 | 100,631.00 |
| | Certificate of Deposit | Townebank Portsmouth, VA | 89214PBL2 | 200,000.00 | 2.80% | 2.77% | 4/30/18 | 4/30/21 | 201,838.00 |
| | Certificate of Deposit | BLC Comenity Bank, WI | 05549CGN4 | 198,000.00 | 2.00% | 1.98% | 11/30/17 | 5/28/21 | 199,593.90 |
| | Certificate of Deposit | Wells Fargo Bank NA, SD | 9497485W3 | 50,000.00 | 1.75% | 1.74% | 6/17/16 | 6/17/21 | 50,362.00 |
| | Certificate of Deposit | UBS BK USA Salt LA UT US | 90348JMG2 | 148,000.00 | 2.10% | 2.08% | 7/3/19 | 7/6/21 | 149,576.20 |
| | Certificate of Deposit | Barclays Bank, DE | 06740KKC0 | 100,000.00 | 2.00% | 1.98% | 7/12/17 | 7/12/21 | 101,046.00 |
| | Certificate of Deposit | First Internet Bk IN | 32056GCP3 | 100,000.00 | 1.95% | 1.93% | 7/14/17 | 7/14/21 | 101,030.00 |
| | Certificate of Deposit | Comenity Cap Bank UT | 20033AUX2 | 245,000.00 | 2.00% | 1.98% | 7/17/17 | 7/16/21 | 247,616.60 |
| | Certificate of Deposit | UBS BK USA Salt LA UT US | 90348JAU4 | 50,000.00 | 1.50% | 1.49% | 7/20/16 | 7/20/21 | 50,392.00 |
| | Certificate of Deposit | Synchrony Bank, UT | 87164XNA0 | 50,000.00 | 1.45% | 1.44% | 7/22/16 | 7/22/21 | 50,393.00 |
| | Certificate of Deposit | Morgan Stanley Prv NY US | 61760AR50 | 250,000.00 | 2.10% | 2.07% | 8/1/19 | 8/2/21 | 253,047.50 |
| | Certificate of Deposit | Bank Hapoalim, NY | 06251AU32 | 147,000.00 | 3.00% | 2.94% | 8/23/18 | 8/23/21 | 149,826.81 |
| | Certificate of Deposit | Firstbank Puerto Rico | 33767A4K4 | 157,000.00 | 2.05% | 2.02% | 8/25/17 | 8/25/21 | 159,059.84 |
| | Certificate of Deposit | Enerbank UT | 29266N3H8 | 50,000.00 | 1.45% | 1.44% | 8/26/16 | 8/26/21 | 50,462.00 |
| | Certificate of Deposit | Privatebank, IL | 74267GVM6 | 147,000.00 | 1.50% | 1.49% | 8/29/16 | 8/30/21 | 148,387.68 |
| | Certificate of Deposit | Commercial BK, TN | 20143PDR8 | 197,000.00 | 3.00% | 2.94% | 6/21/18 | 9/21/21 | 201,223.68 |
| | Certificate of Deposit | Medallion Bk, UT | 58403B5Q5 | 198,000.00 | 2.05% | 2.01% | 12/16/16 | 12/16/21 | 201,795.66 |
| | Certificate of Deposit | Mercantil Comm Ban FL US | 58733ADT3 | 150,000.00 | 2.10% | 2.05% | 1/27/17 | 1/27/22 | 153,288.00 |
| | Certificate of Deposit | Franklin Syn Bank, TN | 35471TCV2 | 204,000.00 | 2.00% | 1.96% | 1/31/17 | 1/31/22 | 208,294.20 |
| | Certificate of Deposit | Sallie Mae Bank, UT | 7954502C8 | 197,000.00 | 2.65% | 2.57% | 4/3/19 | 4/4/22 | 203,408.41 |
| | Certificate of Deposit | Live Oak Banking, NC | 538036CM4 | 97,000.00 | 2.25% | 2.19% | 4/7/17 | 4/7/22 | 99,683.99 |
| | Certificate of Deposit | First National Bank of McGregor, TX | 36A99U934 | 145,000.00 | 2.35% | 2.28% | 12/20/17 | 6/20/22 | 149,547.20 |
| | Certificate of Deposit | Bank of New England, NH | 06426KAL2 | 246,000.00 | 3.15% | 3.00% | 7/31/18 | 7/29/22 | 257,938.38 |
| | Certificate of Deposit | Ally Bank UT US | 02007GKY8 | 247,000.00 | 2.15% | 2.08% | 8/1/19 | 8/1/22 | 255,104.07 |
| | Certificate of Deposit | Enerbank UT | 29278TKG4 | 100,000.00 | 2.05% | 1.99% | 8/7/19 | 8/8/22 | 103,159.00 |
| | Certificate of Deposit | First Bank Highland, IL | 319141HN0 | 247,000.00 | 2.20% | 2.12% | 9/7/17 | 9/7/22 | 255,773.44 |
| | Certificate of Deposit | Capital One Bank | 1404205H9 | 99,000.00 | 2.30% | 2.21% | 10/4/17 | 10/4/22 | 102,847.14 |
| | Certificate of Deposit | Commercial Savings Bank, IA | 202291AD2 | 247,000.00 | 2.10% | 2.03% | 10/18/17 | 10/18/22 | 255,914.23 |
| | Certificate of Deposit | Wells Fargo Bank NA, SD | 949495AQ8 | 248,000.00 | 1.90% | 1.83% | 1/17/20 | 1/17/23 | 257,099.12 |
| | Certificate of Deposit | Goldman Sachs Bank, UT | 38149MNT6 | 145,000.00 | 1.90% | 1.83% | 1/22/20 | 1/23/23 | 150,357.75 |
| | Certificate of Deposit | Texas Cap Bank, NY | 88224PLY3 | 250,000.00 | 0.30% | 0.30% | 8/7/20 | 2/7/23 | 250,995.00 |
| | Certificate of Deposit | Industrial & Coml NY | 45581EAR2 | 250,000.00 | 2.65% | 2.51% | 2/14/18 | 2/14/23 | 263,447.50 |
| | Certificate of Deposit | Belmont Svgs Bk, MA | 080515CH0 | 200,000.00 | 2.70% | 2.56% | 2/28/18 | 2/28/23 | 211,156.00 |
| | Certificate of Deposit | Bank Leumi, NY | 063248KR8 | 250,000.00 | 1.45% | 1.41% | 3/31/20 | 3/31/23 | 257,452.50 |
| | Certificate of Deposit | Citibank, NA SD | 17312QJ26 | 200,000.00 | 2.90% | 2.73% | 4/11/18 | 4/11/23 | 212,632.00 |
| | Certificate of Deposit | Synchrony Bank, UT | 87164XZL3 | 100,000.00 | 1.30% | 1.27% | 4/17/20 | 4/17/23 | 102,690.00 |

City of Clayton
Investment Holdings Summary
Qtr. Ending: Dec. 31, 2020

| Investment Account | Investment Type | Institution | CUSIP | Carrying Value | Rate | Current Yield | Settlement Date | Maturity Date | Market Value |
|---------------------------------------|--|-------------------------|-----------|-------------------------|-------|---------------|-----------------|---------------|-------------------------|
| | Certificate of Deposit | Capital One Bank | 14042TDM6 | 150,000.00 | 1.40% | 1.36% | 4/15/20 | 4/17/23 | 154,378.50 |
| | Certificate of Deposit | Goldman Sachs Bank, UT | 38148P7B7 | 100,000.00 | 2.65% | 2.50% | 5/8/19 | 5/8/23 | 105,921.00 |
| | Certificate of Deposit | Enerbank UT | 29278TCG3 | 100,000.00 | 3.20% | 2.97% | 7/31/18 | 7/31/23 | 107,868.00 |
| | Certificate of Deposit | Third Fed S&L Assn OH | 88413QCT3 | 200,000.00 | 0.25% | 0.25% | 8/19/20 | 8/21/23 | 200,494.00 |
| | Certificate of Deposit | New York CMNTY Bank | 649447TZ2 | 150,000.00 | 0.25% | 0.25% | 10/16/20 | 10/16/23 | 150,337.50 |
| | Certificate of Deposit | Bank of Baroda, NY | 06063HBH5 | 250,000.00 | 3.55% | 3.23% | 12/28/18 | 12/28/23 | 275,122.50 |
| | Certificate of Deposit | Wells Fargo Bank NA, SD | 949763A48 | 197,000.00 | 2.75% | 2.54% | 5/3/19 | 5/3/24 | 212,984.58 |
| | Certificate of Deposit | BMO Harris BK NA IL | 05600XAN0 | 250,000.00 | 0.55% | 0.55% | 7/29/20 | 7/29/24 | 250,095.00 |
| | Certificate of Deposit | Texas Exchange BK TX | 88241TJG6 | 198,000.00 | 0.50% | 0.50% | 9/11/20 | 12/11/24 | 198,102.96 |
| | Certificate of Deposit | CPTL One Natl Assn | 14042RPW5 | 259,817.50 | 1.45% | 1.39% | 7/22/20 | 4/22/25 | 261,732.50 |
| | Certificate of Deposit | Flagstar Bank, FSB, MI | 33847E3D7 | 250,000.00 | 1.15% | 1.11% | 4/23/20 | 4/29/25 | 258,525.00 |
| | Certificate of Deposit | Delta Natl B&T Co NY | 2477RBW4 | 250,000.00 | 0.55% | 0.55% | 7/22/20 | 7/21/25 | 251,732.50 |
| | Certificate of Deposit | USAlliance Fed Cre NY | 90352RBD6 | 149,000.00 | 0.55% | 0.55% | 8/20/20 | 8/28/25 | 149,511.07 |
| | Certificate of Deposit | State Bank IL US | 856283P67 | 200,000.00 | 0.50% | 0.50% | 10/5/20 | 9/22/25 | 200,676.00 |
| | Certificate of Deposit | JP Morgan Chase, OH | 48128L7E3 | 250,000.00 | 0.40% | 0.40% | 10/28/20 | 10/30/25 | 250,305.00 |
| | | | | \$ 9,401,817.50 | | | | | \$ 9,634,721.29 |
| | Corporate Bonds & Notes | Protective Life Global | 74368CAP9 | 271,575.00 | 3.10% | 2.88% | 7/22/20 | 4/15/24 | 269,527.50 |
| | Corporate Bonds & Notes | Apple Inc NTS | 037833DM9 | 145,599.00 | 1.80% | 1.72% | 9/11/19 | 9/11/24 | 157,417.50 |
| | Corporate Bonds & Notes | Wal Mart Stores Inc | 931142DV2 | 100,000.00 | 2.65% | 2.44% | 10/20/17 | 12-15.24 | 108,446.00 |
| | Corporate Bonds & Notes | Westpac Banking Corp | 961214EH2 | 258,612.50 | 2.35% | 2.19% | 10/20/17 | 12/15/24 | 268,472.50 |
| | | | | \$ 775,786.50 | | | | | \$ 803,863.50 |
| | Government Agency | FFCB Bond | 3133EMHF2 | 150,000.00 | 0.60% | 0.60% | 11/25/20 | 11/24/25 | 150,040.50 |
| | Government Agency | | | | | | | | |
| | Government Agency | | | | | | | | |
| | Government Agency | | | | | | | | |
| | | | | \$ 150,000.00 | | | | | \$ 150,040.50 |
| | Total UBS Financial Services Inc. | | | \$ 10,355,726.70 | | | | | \$ 10,616,747.99 |
| Morgan Stanley | Money Market Fund | Morgan Stanley | n/a | - | 0.00% | 0.00% | n/a | n/a | - |
| | No Activity or holdings in this account left at 9/30/2019. Account closed. | | | | | | | | |
| | Total Morgan Stanley | | | - | | | | | - |
| Bank of America (book balance) | Cash (checking account) | Bank of America | | 1,829,898.13 | 0.00% | 0.00% | n/a | n/a | 1,829,898.13 |

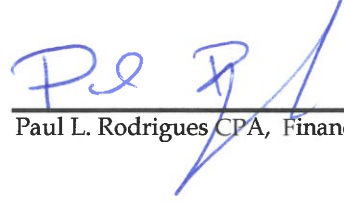
City of Clayton
Investment Holdings Summary
Qtr. Ending: Dec. 31, 2020

| Investment Account | Investment Type | Institution | CUSIP | Carrying Value | Rate | Current Yield | Settlement Date | Maturity Date | Market Value |
|--------------------|-----------------|-------------|-------|----------------|------|---------------|-----------------|---------------|--------------|
|--------------------|-----------------|-------------|-------|----------------|------|---------------|-----------------|---------------|--------------|

| Broker / Institution | Carrying Value | Percentage of Portfolio | Weighted Average Yield to Maturity | W.A.M. (yrs) | Market Value |
|--|-------------------|-------------------------|------------------------------------|--------------|-------------------|
| CAMP | 890,476 | 6.11% | 0.12% | 0.11 | 890,476 |
| LAIF | 1,490,261 | 10.23% | 0.54% | 0.53 | 1,490,261 |
| UBS Financial Services Inc. | 10,355,727 | 71.09% | 1.69% | 2.97 | 10,616,748 |
| Morgan Stanley | - | 0.00% | 0.00% | 0.00 | - |
| Bank of America (book balance) | 1,829,898 | 12.56% | 0.00% | 0.00 | 1,829,898 |
| Total investment Portfolio | 14,566,361 | 100.00% | 1.26% | 2.12 | 14,827,383 |
| 2020-21 Budgeted Interest - General Fund | | \$ 100,000 | | | |
| 2020-21 Budgeted Interest Revenue to date (7/1/20 - 12/31/20) | | \$ 50,000 | | | |
| 2020-21 Actual Interest Revenue to date (7/1/20 - 12/31/20) | | \$ 43,487 | | | |
| General Fund Budget % Completed to date (7/1/20 - 12/31/20) | | 50.00% | | | |
| Percent of General Fund Budget Realized | | 43.49% | | | |
| Year to Date Variance | | \$ (6,513) | -13.03% | | |
| Quarterly Weighted Average Annual Yield* | | 1.26% | | | |
| 2020-21 Total Pooled Investment Income To Date (7/1/20 - 12/31/20) | | \$ 116,364 | | | |

*This calculation excludes the City's non-interest bearing pooled checking account with Bank of America

I verify that this investment portfolio is in conformity with State laws and the City of Clayton's investment policy. The City's cash management program provides sufficient liquidity to meet the next six month's expenditures.


 Paul L. Rodrigues CPA, Finance Director 3/04/21
Date


 Hank Stratford, City Treasurer 3/24/21
Date