

# City of Huntington Beach Quarterly Investment Report

Quarter Ending: March 31, 2021



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# E C O N O M Y

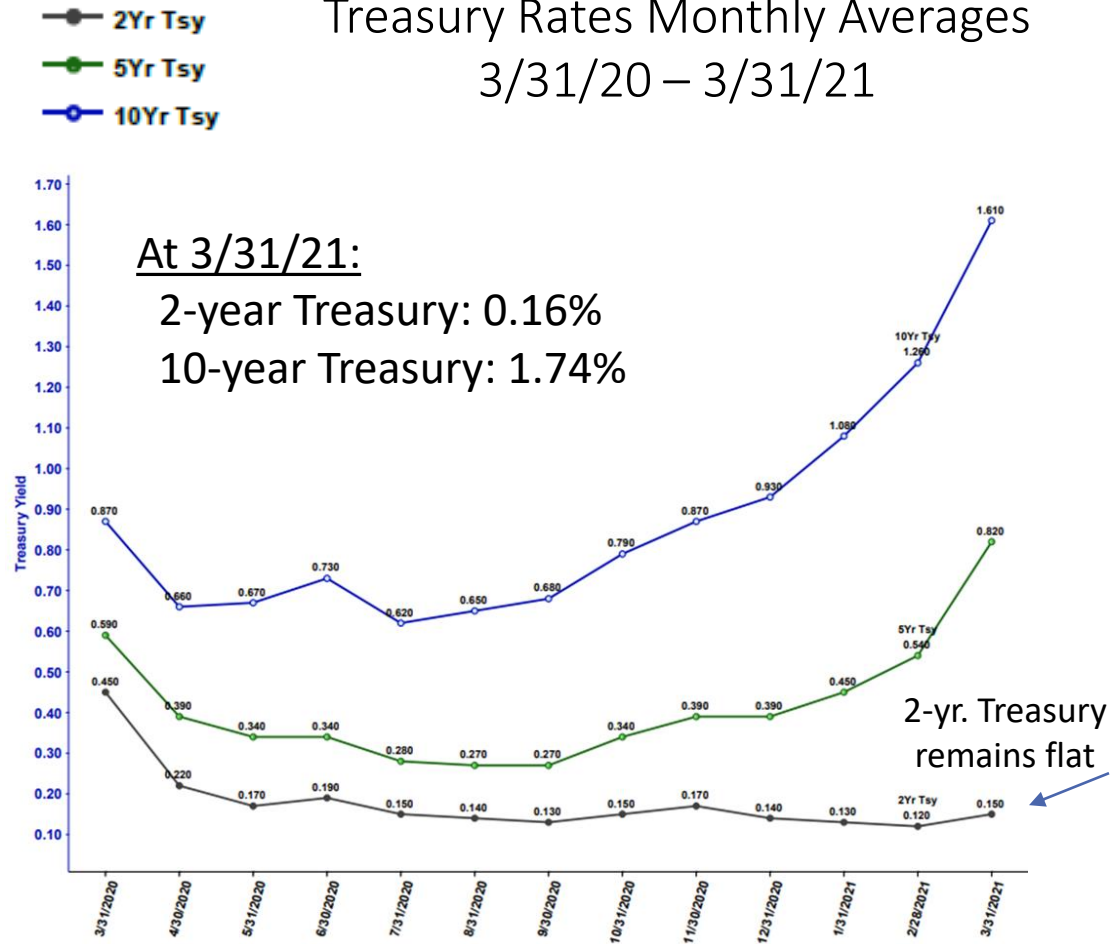
- ❑ Congress passed \$1.9 trillion fiscal stimulus package
- ❑ Economic optimism  with rising vaccinations and increased fiscal stimulus
- ❑ Unemployment rate  to 6.0% for March, from peak of 14.7%
- ❑ March Consumer Confidence Index  to 109.7, its highest reading in a year

# M A R K E T S

- ❑ Equity Markets YTD first quarter 2021: S&P up 5.8%  
DJIA up 7.8%
- ❑ Federal Reserve held rates stable at 0-0.25% (since March, 2020)
- ❑ Longer-term Treasury yields rose with increased economic optimism, while 2-year remained fairly flat

# INTEREST

## Treasury Rates Monthly Averages 3/31/20 – 3/31/21



Investment  
portfolio is  
governed by  
California  
Government  
Codes 53600  
et seq.

## Per Section 53600.5 - City Treasurer's Primary Objectives:

1. Safety of Principal
2. Maintain Liquidity
3. Market Rate of Return (through  
budgetary/economic cycles)

★ In this order of priority ★

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## Per Section 53601 - Specific Allowable Investments include:

1. U.S. Treasuries
2. Federal Agencies:
  - FNMA
  - FHLB
  - FFCB
  - FHLMC
3. Corporate Bonds “A” rated and above

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et seq.

## **Allowable Investments continued:**

4. State of CA “LAIF” pooled account
5. Commercial Paper of highest rating
6. Supranationals:
  - Int’l Bank of Reconstruction & Development “IBRD”
  - Int’l Finance Corp. “IFC”
  - Inter-American Development Bank “IADB”

Investment portfolio is governed by California Government Codes 53600 et seq.

## Additional Investment Limitations per Code:

*Applicability differs according to security type*

- ☐ Maximum maturity of 5 years
- ☐ Maximum percentage of portfolio
- ☐ Minimum quality rating requirements
- ☐ Maximum per issuer requirements



# Investment Policy

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- ❑ Certified by California Municipal Treasurers Association
- ❑ Reviewed Annually by Treasurer and Investment Advisory Board, Adopted by City Council
- ❑ Must Follow Government Codes – can be more restrictive

# Investment Strategy

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Per CDIAC “Local Agency Investment Guidelines”:

- ❑ Buy and Hold / Passive investment strategy: Investments are purchased with the intent to hold until maturity
- ❑ However, market forces or operational needs may occasionally require exchange or sale before maturity
- ❑ Prudent investment management = Continuous analysis and fine tuning of investment portfolio

# Portfolio Summary

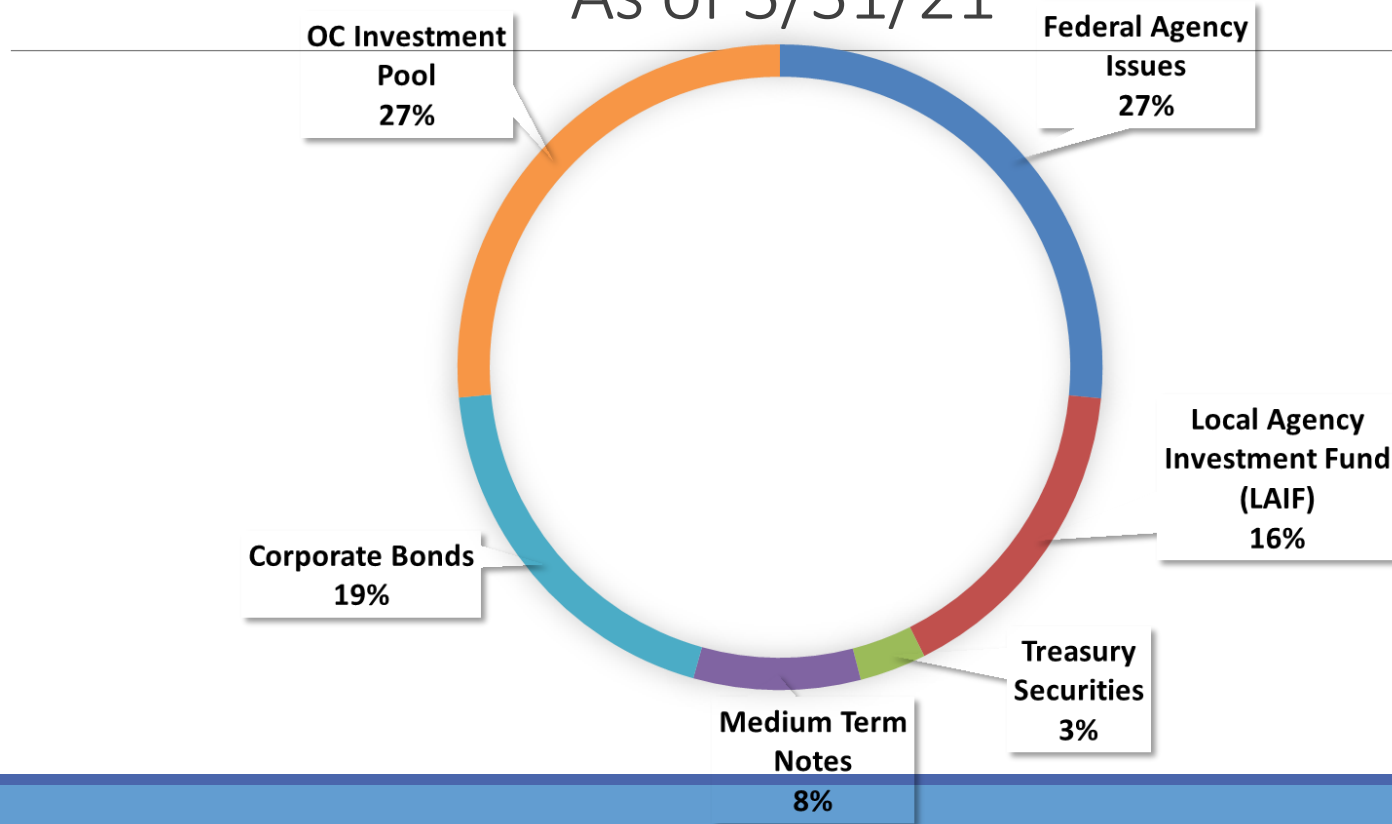
## As of 3/31/21

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<b>Investment Type</b>		
<b>\$ in 000's</b>	<b>Market Value</b>	<b>Book Value</b>
Federal Agency Issues	\$ 65,327	\$ 64,141
Local Agency Investment Fund (LAIF)	\$ 39,585	\$ 39,585
Treasury Securities	\$ 8,247	\$ 7,980
Medium Term Notes	\$ 20,589	\$ 20,241
Corporate Bonds	\$ 47,187	\$ 46,097
OC Investment Pool	\$ 65,229	\$ 65,229
<b>TOTAL</b>	<b>\$ 246,164</b>	<b>\$ 243,273</b>

# Investments by Type

As of 3/31/21



# Portfolio Earnings

## As of 3/31/21

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<b>Total Earnings</b>	<b>Month: March</b>	<b>Fiscal YTD</b>
Current Year	\$ 261,545	\$ 2,632,945
Current Budget	\$ 100,000	\$ 1,600,000
Last Year Actual	\$ 437,478	\$ 3,830,742
Average Daily Balance	\$ 241,726,743	\$ 233,693,950
Effective Rate of Return	1.27%	1.50%
Benchmark *	0.14%	n/a
* 12-month moving average of interpolated 1.5-year treasury		

# Monthly Activity

## March 2020

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<b>Investment Type</b> <b>\$ in 000's</b>	<b>Purchases/ Deposits</b>	<b>Calls/Maturities/ Withdrawals</b>
Federal Agency Issues		
Local Agency Investment Fund (LAIF) *	\$ 5,000	
Medium Term Notes - IADB/IBRD		
Corporate Bonds		\$ 3,710
Treasury Securities		
OC Investment Pool *	\$ 49	\$ 3
<b>TOTAL</b>	<b>\$ 5,049</b>	<b>\$ 3,713</b>
*Includes Interest Income		

# Quarterly Activity

## January - March 2021

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<b>Investment Type</b> <b>\$ in 000's</b>	<b>Purchases/ Deposits</b>	<b>Calls/Maturities/ Withdrawals</b>
Federal Agency Issues	\$ 18,000	\$ 3,000
Local Agency Investment Fund (LAIF) *	\$ 5,034	\$ 7,000
Medium Term Notes - IADB/IBRD	\$ 5,000	
Corporate Bonds		\$ 5,136
Treasury Securities		
OC Investment Pool *	\$ 130	\$ 10,010
<b>TOTAL</b>	<b>\$ 28,164</b>	<b>\$ 25,146</b>
*Includes Interest Income		

# Selected Compliance Requirements

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO/ MAXIMUM PER ISSUER	MINIMUM QUALITY REQUIREMENTS	IN COMPLIANCE
Commercial Paper	270 days	25%/10%	A1, "A" Rating	YES
State Obligations-- CA And Others	5 years	None/10%	"A" Rating	YES
U.S. Treasury Obligations	5 years	None	None	YES
U.S. Government Agency Obligations	5 years	None	None	YES
IBRD, IFC, IADB	5 years	10%	"AA" Rating	YES
Corporate Notes	5 years	30%/10%	"A" Rating	YES
Local Agency Investment Fund (LAIF)	N/A	Up to \$75,000,000	None	YES
Orange County Investment Pool (OCIP)	N/A	Up to \$75,000,000	None	YES
Maximum Maturities	No more than 50% of portfolio maturing over 4 years.			YES

**No issues of non-compliance**



# S U M M A R Y

- ☐ Safety – No principal losses ✓
- ☐ Liquidity – Sufficient funds for operating needs ✓
- ☐ Effective Rate of Return -  
March 1.27% FYTD 1.50% ✓
- ☐ Prudently managed – No compliance issues ✓
- ☐ Positive contributor to City –  
Earnings offset taxpayer funds ✓

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# QUESTIONS?