



FY 2021-22 ANNUAL INVESTMENT REPORT (JULY 1, 2021 – JUNE 30, 2022)

INVESTMENT POLICY OVERVIEW

Investment Philosophy

To invest public funds in a manner that will provide a reasonable rate of investment return while minimizing exposure to loss of capital and thereby maintaining a consistent source of funds for the Town.

Authorized Investment

Comply with Government Code Section 53646	Maximum Investment	Maximum Maturity
US Treasury Bills, Notes, & Bonds	--	5 Years
US Government Sponsored Agencies*	20%	5 Years
Bankers Acceptances*	20%	180 Days
Commercial Paper*	15%	270 Days
Negotiable CDs*	20%	5 Years
Time CDs	--	5 Years
Bank/Broker CDs	30%	5 Years
Local Agency Investment Fund (LAIF)	\$65 million	--
San Mateo County Investment Pool (SMIF)	--	--
Money Market Funds*	20%	--
Medium Term Notes*	15%	5 Years

* Additional limitations applies. See Colma Administrative Code 4.02

Investment Objective

Safety: seeks to safeguard the principal of the funds under its control by maintaining an appropriate risk level.

Liquidity: sufficiently liquid to enable the Town to meet its reasonably anticipated cash flow requirements.

Yield: attain market average rate of return on its investments throughout economic cycles, consistent with constraints imposed by its safety objectives and cash flow considerations.

Diversification: avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. This shall also conform with applicable sections of the Government Code

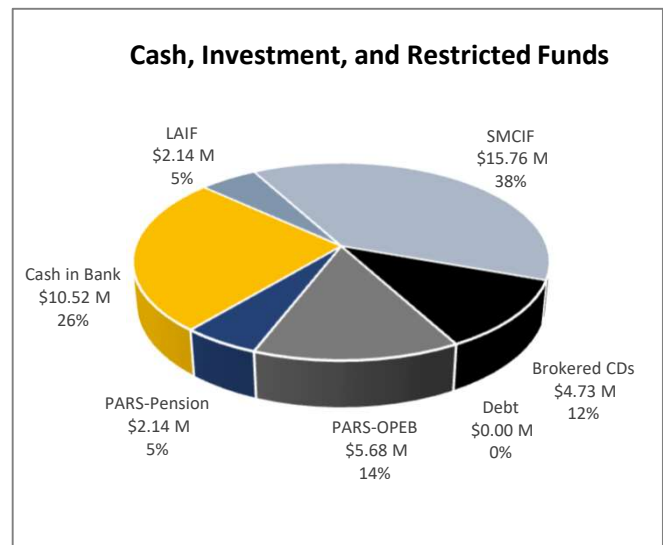
Hold To Maturity: hold its investments to maturity in order to maximize its return on its investments and minimize its exposure to potential losses, when possible.

Benchmark: Based on a passive investment strategy and a portfolio consisting of primarily bank deposits and public agency investment pools. May use as a comparison yield benchmark portfolios of similar average investment maturity.

Cash and Investment Portfolio Summary

On June 30, 2022, the Town has a balance of \$40.98 million in various cash and investment accounts. Unrestricted cash and investment has an aggregate balance of \$33.15 million and restricted investments total \$7.82 million. The restricted funds consist of \$5.68 million in PARS OPEB Trust to fund future retiree medical and dental costs, \$2.14 million in PARS Pension trust to fund future pension costs, and \$39 in Bank of New York Mellon, which would offset debt payments.

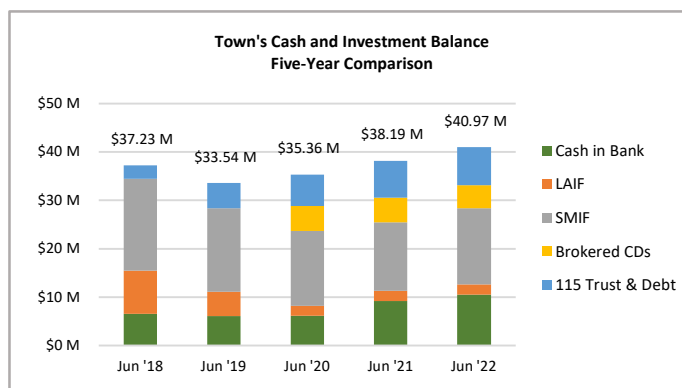
The unrestricted funds of \$33.15 million include \$10.52 million in Cash-in-Bank, \$17.90 million in the State (LAIF) and county (SMCIF) pools, and \$4.73 million in brokered CDs. The pooled accounts focus on liquidity and safekeeping of the assets. The investment strategy for both pools invests 50% or more in agency and treasury bonds and the rest in high-quality low-risk investments. The brokered CDs are limited to \$250,000 per issuer and are fully insured by FDIC or NCUSIF.



Cash and Investment Portfolio Highlights

Five-Year Comparison

As illustrated in the five-year comparison chart, the Town's total cash and investment has grown from \$38.19 million to \$40.97 million. The growth can be attributed to budget surplus and continuous effects in improving its financial management. The different colors in the chart also indicate how the Town's investment portfolio has become more diversified.



Cash Balance

The Town maintains a minimum of \$5.00 million in the Cash in Bank account to ensure adequate working capital to meet operating and capital needs. As shown in the 5-Year Comparison, the green bar stayed close to \$6.00 million in 2018 through 2020 and had \$9.20 million in 2021 and \$10.5 million in 2021. The Town's cash balance increased as a result of inflation and higher sales tax revenues. With an ending cash balance of \$9.20 million by June 30, 2021, the Town transferred the excess fund to SMIF to retain the Town's purchasing power.

As of June 30, 2022, the Town has \$10.52 million and will evaluate in December whether to transfer excess funds to SMIF. Determining factors include capital improvement needs and economic factors impacting the Town's sales tax revenues in FY 2022-23.

MBS Brokered CDs

Beginning in December 2019, the Town purchased \$4.96 million worth of bank/brokered CDs, which are 100% FDIA/NCUSIF insured securities. The maturity date of the CDs ranges from 1 to 5 years with each newly matured CDs are replaced with CDs with 5-year maturity. The purpose of this strategy is to stabilize the Town's annual investment yield.

As of June 30, 2022, the Town's CDs have a market value of \$4.73 million. Market value includes unrealized gains/losses.

Agency Investment Pools (SMIF and LAIF)

The Town participates in the Local Agency Investment Fund (LAIF) and San Mateo County Investment Pool Fund (SMIF) and invests majority of its excess unrestricted funds in both agency investments pools.

Both pools are actively managed by State and County Treasurer's, respectively, and follow the California Government Code Section 53646. The table below shows the average portfolio life and average yield for both pools. In general, the longer the portfolio life, the higher the yield. The portfolio life also indicates how often the securities within a portfolio are changed.

As of June 30, 2022, the Town had \$2.14 million in LAIF and \$15.76 million in SMIF. In December 2021, the Town transferred \$1.5 million from Cash in Bank to SMIF.

Investment Types	Average Life	Average Yield
San Mateo County (SMIF)	1.6 Yrs.	0.97%
State of California (LAIF)	0.8 Yrs.	0.37%
Bank/Brokered CDs (MBS)	4.5 Yrs.	1.38%

Total Investment Earnings

Through June 30, 2022, the Town received \$212,717 in unrestricted investment earnings with \$370,531 in unrealized loss. The unrealized loss represents the today's market value of the Town's brokered CDs. The unrealized gain/loss is important to note if the Town were to liquidate its CDs today. Since the Town intends to hold the Brokered CDs until maturity, the unrealized gain/loss is considered as accounting entries and are not true gains or losses. Additionally, the principal of \$4.96 million is fully secured.

	Balance @ 06/30/22	Interest Earnings	Unrealized Gain/Loss
Cash and Investment			
Cash in Bank	\$ 10,523,990	\$ 3,724	\$ -
LAIF	2,138,248	5,953	-
SMIF	15,760,033	135,993	-
Brokered CDs	4,729,009	67,046	(370,531)
Total Unrestricted	\$ 33,151,280	\$ 212,717	\$(370,531)
115 Trust & Debt	7,821,341	(1,004,208)	-
Total Cash & Inv.	\$ 40,972,621	\$ (791,491)	\$(370,531)

The Town's 115 Trust experienced an investment loss of \$1.00 million, due to the uncertainty in the market.