

Memo

To: Roseville Finance Commission
From: Michelle Pietrick, Finance Director
Date: March 9, 2021
Re: Item #6: Review 2020 Investment Portfolio Performance

Background

The City’s Investment Policy is rooted in industry best practices and has been modified to accommodate the limited resources available to manage the City’s investment portfolio. This limitation necessitates the use of relatively simple investment strategies that require only a nominal amount of time.

These limitations, accompanied by statutory restrictions on the types of investments we can participate in, will constrain the portfolio’s investment performance. As a result, the Policy calls for the portfolio’s investment performance to equate to, at a minimum, the U.S. Government Bond (Treasuries) Yield for the comparable investment period. In other words, if our general investment horizon is five years, then our portfolio yield should be equal to or greater than the five-year Treasury rate over the long term.

The following table depicts the City’s investment portfolio performance over the past eight years:

City of Roseville Investment Portfolio Performance						
	Portfolio	Average Portfolio	10-Year	Var. + / -	5-Year	Var. + / -
<u>Year</u>	<u>Earnings</u>	<u>Term (yrs.)</u>	<u>Treasury</u>	<u>Treasury</u>	<u>Treasury</u>	<u>Treasury</u>
2013	3.30%	12.4	3.00%	0.30%	1.74%	1.56%
2014	3.43%	11.0	2.11%	1.32%	1.61%	1.81%
2015	2.88%	9.8	2.27%	0.61%	1.76%	1.12%
2016	2.61%	9.8	2.45%	0.17%	1.93%	0.68%
2017	2.69%	10.5	2.41%	0.28%	2.21%	0.48%
2018	2.93%	11.8	2.68%	0.25%	2.51%	0.42%
2019	2.74%	10.8	1.92%	0.82%	1.69%	1.05%
2020	1.32%	6.3	0.94%	0.38%	0.59%	0.73%
Note: As measured on December 31st						

Currently, the City’s investment portfolio (excluding monies set aside for short-term cash flow needs) has an average term of 6.3 years earning 1.32%. This is 0.38% or 38 basis points *higher* than the 10-year portfolio target and .59% or 59 basis points *higher* than the 5-year portfolio target. As a reminder, this represents a snapshot-in-time as measured on 12/31/20.

The City’s investment portfolio performance relative to the benchmark can vary from year to year in conjunction with changing economic factors including interest rate changes. It will also fluctuate as the makeup of the portfolio itself changes.

Staff Recommendation

Not applicable.

Requested Commission Action

For information purposes only. No formal Commission action is required.

Prepared by: Michelle Pietrick, Finance Director
Attachments: NA