

Monthly Investment & Cash Flows Report

June 2020



CITY OF SEDONA

July 7, 2020

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Executive Summary

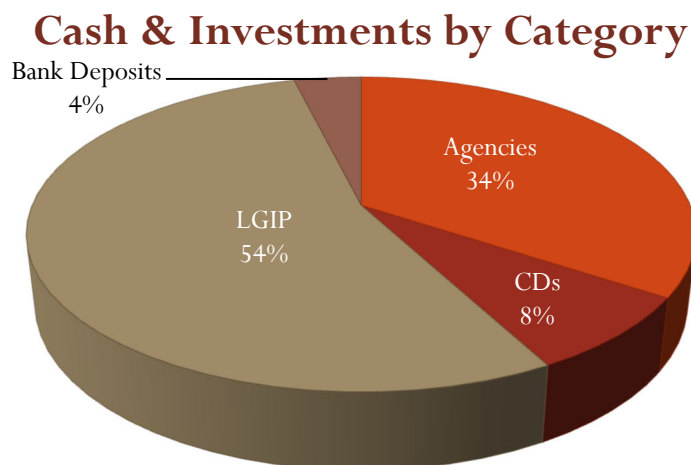
The fair market value of the City's total cash and investments as of June 30, 2020 is \$53.1 million, representing a decrease of approximately \$159,000 (<-1%). The average yield exceeds the City's benchmark by 253% as a result of a decision made by the Arizona State Treasurer's Office to increase liquidity in anticipation of local government drawdowns during the financial crisis caused by the COVID-19 closures.

June 2020 Cash & Investments Summary	
Total Cash & Investments	\$53,085,261
Average Yield	1.199%
Benchmark ¹	0.340%
Average Duration	1.0 years

As a result of early calls over the past few months for several U.S. government agency securities, the average duration is 1.0 years. Until there is better information regarding the City's future financial condition and impacts of the current financial crisis, purchase of any additional investments has been put on hold to increase liquidity.

Investments Held

The City has invested in U.S. government agency securities, certificates of deposit (CDs), and Local Government Investment Pools (LGIP) offered by the Arizona State Treasurer's Office, in addition to balances maintained in checking accounts.²



¹ The City's investment policy defines the benchmark as the yield for the Arizona State Treasurer's Office's Local Government Investment Pool (LGIP) 5.

² All investments are allowable under Arizona Revised Statutes and the City's investment policy.

Investments Transactions

Net transactions for June 2020 resulted in a decrease of approximately \$143,000. This was largely the result of increases in checking accounts primarily due to one-time receipts discussed below. A net drawdown of LGIP Pool 5 of \$350,000 helped cover the significant capital improvement costs for the month of \$1.5 million and the transfers to the trustee for bond payments due on July 1, 2020 of \$1.5 million.

Cash Flows

Cash basis receipts for June 2020 were approximately \$2.5 million greater than the prior month while cash basis disbursements were approximately \$1.6 million greater than the prior month. Changes for June 2020 compared to the prior month include:

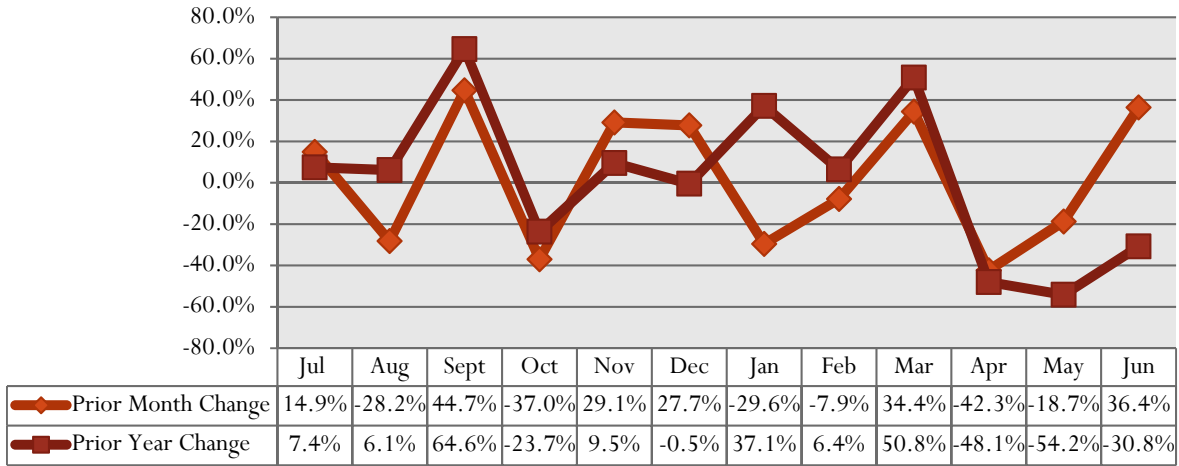
- Receipts:
 - Cash basis sales and bed tax receipts for June 2020 were approximately \$430,000 (36%) greater than the prior month.
 - Cash basis wastewater monthly receipts for June 2020 were approximately \$32,000 (7%) greater than the prior month.
 - Approximately \$579,000 of one-time development impact fees and wastewater capacity fees were collected in June 2020.
 - Approximately \$1.2 million of one-time AZCares Act funding was collected in June 2020.
 - The FY 2020 allocation of Yavapai County Flood Control monies of \$375,000 was collected in June 2020.
 - Cash basis state shared revenue receipts for June 2020 were approximately \$14,000 (-4%) less than the prior month.
 - Cash basis interest receipts for June 2020 were approximately \$8,000 (-83%) less than the prior month.
- Disbursements:
 - Capital improvement costs for June 2020 were approximately \$153,000 (11%) greater than the prior month.
 - Transfers to the trustee for bond payments due on July 1, 2020 were approximately \$1.1 million (319%) greater than the prior month.³
 - Cash basis road rehabilitation disbursements were approximately \$725,000 for June 2020. Road rehabilitation costs were not incurred for FY 2020 prior to June.

Cash Basis Sales & Bed Tax Receipts

Cash basis sales and bed tax receipts were 36% greater than the prior month and 31% less than the same month last year. The June 2020 receipts included a portion of April taxes filed in May and a portion of May taxes filed in June, including any delinquent payments that have been filed and paid in those months.

³ The bond covenant for the Series 1998 bonds requires monthly deposits with the trustee for one-twelfth of the July 1 payment. All other bond covenants require semi-annual deposits for the January 1 and July 1 payments.

Changes in Cash Basis Sales & Bed Tax Receipts



Analysis

Cumulative cash basis receipts since April 2020 were \$1.7 million less than cumulative cash basis disbursements. Data has not been accumulated in this manner prior to April 2020; however, it is typical for capital improvement costs and road rehabilitation costs to be higher during the last quarter of the fiscal year, in addition to the transfers to the trustee for bond payments due on July 1.

Staff has been directed to freeze all nonessential expenditures and numerous vacant positions have been frozen. It appears these freezes, in addition to the significant one-time receipts in June 2020, have helped mitigate the revenue losses incurred as a result of the COVID-19 closures, while still covering most of the capital improvement and debt costs.

April 2020 - June 2020 Cash Basis Receipts & Disbursements Summary

Total Net Cash Basis Receipts (Disbursements)	\$(1,704,565)
Certain Cash Basis Receipts (Disbursements):	
One-Time Receipts	1,765,820
Capital Improvement Costs	(4,538,715)
Road Rehabilitation	(725,115)
Transfers to Bond Payment Trustee	(2,224,569)

Report Format

The report consists of the following sections:

- **Executive Summary** – This summary includes a narrative discussion of the most significant information in this report.
- **Investment Holdings Summary** – A table of the investments held by the City has been presented with the average remaining duration of the portfolio, as well as the average yield of the portfolio compared to the policy benchmark.
- **Investment Transactions Summary** – A table of the investment transactions for the month has been presented including acquisitions, dispositions, investment earnings, and expenses.
- **Cash Flows Report** – A summary of the cash flows for the month has been presented with comparison to cash flows of prior months, in addition to bank and cash basis balances.

For questions or additional information, contact:

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Investment Holdings Summary

CUSIP	Issuer	Settlement Date	Maturity Date	Initial Duration ⁽¹⁾	Remaining Duration as of June 30, 2020 (In Years)	Remaining Coupon Rates	Yield	Benchmark at Time of Purchase	Par Value	Book Value	Fair Market Value as of June 30, 2020	Realized Gain/Loss	Unrealized Gain/Loss ⁽²⁾	Accrued Interest Not Yet Recorded ⁽³⁾	% of Investment Pool
U.S. Government Agency Securities															
3134GBP89	Federal Home Loan Mortgage Corporation	10/26/2017	4/26/2021	3.5	0.8	1.850%	1.850%	1.100%	\$ 2,000,000	\$ 2,000,000	\$ 2,027,032	\$ -	\$ 27,032	\$ 6,589	3.78%
3133ELGM0	Federal Farm Credit Bank	1/15/2020	10/8/2021	1.7	1.3	1.600%	1.500%	1.790%	\$ 2,000,000	\$ 2,033,416	\$ 2,035,566	\$ -	\$ 2,150	\$ 7,277	3.84%
3134GUR93	Federal Home Loan Mortgage Corporation	1/15/2020	10/13/2022	2.7	2.3	1.720%	1.660%	1.790%	\$ 2,000,000	\$ 2,003,224	\$ 2,005,242	\$ -	\$ 2,018	\$ 15,739	3.78%
3134GUS43	Federal Home Loan Mortgage Corporation	1/15/2020	7/13/2023	3.5	3.0	1.800%	1.810%	1.790%	\$ 2,000,000	\$ 1,999,500	\$ 2,001,074	\$ -	\$ 1,574	\$ 16,471	3.77%
3133ELHZ0	Federal Farm Credit Bank	1/17/2020	7/17/2023	3.5	3.0	1.600%	1.540%	1.790%	\$ 2,000,000	\$ 2,004,072	\$ 2,078,120	\$ -	\$ 74,048	\$ 14,466	3.78%
3133EKWZ5	Federal Farm Credit Bank	7/31/2019	7/24/2023	4.0	3.1	2.200%	2.145%	2.430%	\$ 2,000,000	\$ 2,004,174	\$ 2,001,702	\$ -	\$ (2,472)	\$ 19,047	3.78%
3134GDVC9	Federal Home Loan Mortgage Corporation	2/27/2020	11/20/2023	3.7	3.4	1.700%	1.630%	1.770%	\$ 2,000,000	\$ 2,005,062	\$ 2,007,904	\$ -	\$ 2,842	\$ 3,819	3.79%
3134GUZ78	Federal Home Loan Mortgage Corporation	1/22/2020	1/22/2024	4.0	3.6	1.800%	1.730%	1.790%	\$ 2,000,000	\$ 2,005,388	\$ 2,014,360	\$ -	\$ 8,972	\$ 15,781	3.79%
3134GTR96	Federal Home Loan Mortgage Corporation	7/31/2019	7/30/2024	5.0	4.1	2.300%	2.240%	2.430%	\$ 2,000,000	\$ 2,005,646	\$ 2,003,098	\$ -	\$ (2,548)	\$ 18,534	3.79%
Subtotals									\$ 18,000,000	\$ 18,060,482	\$ 18,174,098	\$ -	\$ 113,616	\$ 117,722	34.09%
Negotiable Certificates of Deposit															
20033AVN3	Comenity Capital Bank	8/9/2017	8/10/2020	3.0	0.1	1.950%	1.950%	0.930%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 264	0.47%
38148PMJ3	Goldman Sachs Bank USA	8/9/2017	8/10/2020	3.0	0.1	1.900%	1.900%	0.930%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,813	0.47%
02587CGG9	American Express FSB	9/12/2017	9/14/2020	3.0	0.2	1.950%	1.950%	1.010%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,425	0.47%
319141HQ3	First Bank of Highland Park	9/14/2017	9/14/2020	3.0	0.2	1.800%	1.800%	1.010%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,316	0.47%
14042RJH5	Capital One, NA	10/12/2017	10/13/2020	3.0	0.3	2.000%	2.000%	1.100%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,056	0.47%
20786ABY0	ConnectOne Bank	12/28/2017	12/28/2020	3.0	0.5	2.200%	2.200%	1.090%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 30	0.47%
1404204E7	Capital One Bank USA NA	8/9/2017	8/9/2021	4.0	1.1	2.100%	2.100%	0.930%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 2,018	0.47%
254673AF3	Discover Bank	8/9/2017	8/9/2021	4.0	1.1	2.100%	2.100%	0.930%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 2,018	0.47%
05580AKJ2	BMW Bank North America	9/15/2017	9/15/2021	4.0	1.2	2.100%	2.100%	1.010%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,521	0.47%
88413QBR8	Third Federal Savings & Loan	9/15/2017	9/15/2021	4.0	1.2	2.000%	2.000%	1.010%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,448	0.47%
29266N6P7	EnerBank USA	10/13/2017	10/13/2021	4.0	1.3	2.000%	2.000%	1.100%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 230	0.47%
02587DV47	American Express Centurion	8/8/2017	8/8/2022	5.0	2.1	2.350%	2.350%	0.930%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 2,274	0.47%
795450C37	Sallie Mae Bank	8/9/2017	8/9/2022	5.0	2.1	2.350%	2.350%	0.930%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 2,258	0.47%
87164XSH0	Synchrony Bank	10/6/2017	10/6/2022	5.0	2.3	2.250%	2.250%	1.100%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,294	0.47%
06740KLD7	Barclays Bank	10/18/2017	10/18/2022	5.0	2.3	2.300%	2.300%	1.100%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 1,136	0.47%
32056GCV0	First Internet Bank of Indiana	12/28/2017	12/28/2022	5.0	2.5	2.400%	2.400%	1.090%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 32	0.47%
44329MA45	HSBC Bank USA	8/13/2019	8/13/2024	5.0	4.1	2.300%	2.300%	2.300%	\$ 247,000	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 2,148	0.47%
Subtotals									\$ 4,199,000	\$ 4,199,000	\$ 4,199,000	\$ -	\$ -	\$ 22,281	7.93%
AZ State Treasurer Local Government Investment Pool (LGIP)															
N/A	Pool 5	N/A	N/A	N/A	0.0	N/A	0.340%	N/A	\$ 19,238,494	\$ 19,238,494	\$ 19,238,494	\$ -	\$ -	\$ -	36.32%
N/A	Pool 7	N/A	N/A	N/A	0.0	N/A	0.140%	N/A	\$ 35,474	\$ 35,474	\$ 35,474	\$ -	\$ -	\$ -	0.07%
N/A	Pool 500	N/A	N/A	N/A	0.0	N/A	1.590%	N/A	\$ 9,377,676	\$ 9,377,676	\$ 9,377,676	\$ -	\$ -	\$ -	17.70%
Subtotals									\$ 28,651,644	\$ 28,651,644	\$ 28,651,644	\$ -	\$ -	\$ -	54.09%
Bank Deposits															
N/A	Analyzed Checking Accounts	N/A	N/A	N/A	0.0	N/A	0.400%	N/A	\$ 2,060,518	\$ 2,060,518	\$ 2,060,518	\$ -	\$ -	\$ -	3.89%
Subtotals									\$ 2,060,518	\$ 2,060,518	\$ 2,060,518	\$ -	\$ -	\$ -	3.89%
Averages/Grand Totals					1.0		1.199%		\$ 52,911,163	\$ 52,971,645	\$ 53,085,261	\$ -	\$ 113,616	\$ 140,003	100.00%

Benchmark per Policy (LGIP Pool 5) 0.340%

⁽¹⁾ Arizona Revised Statutes and the City's investment policy limit the maximum investment maturity to 5 years.

⁽²⁾ Unrealized gains and losses would only be realized if the City chose to sell its investments prior to maturity and are based on the fair market value as reported by the City's safekeeping agent. The City plans to hold investments until maturity unless there is a compelling reason to sell.

⁽³⁾ Many of the investments pay interest semi-annually with some investments paying monthly or quarterly. The accrued interest not yet recorded represents the amount earned since the last interest payment date.

Investment Transactions Summary⁽¹⁾

CUSIP	Issuer	Transaction Type	June 2020 Activity
Acquisitions			
N/A	LGIP Pool 5	Purchase	\$ 500,000
N/A	Analyzed Checking Accounts	Net Contribution	\$ 441,826
Subtotal			\$ 941,826
Dispositions			
N/A	LGIP Pool 5	Withdrawal	\$ 850,000
N/A	Interest-Bearing Checking Accounts ⁽²⁾	Net Withdrawal	\$ 273,408
Subtotal			\$ 1,123,408
Earnings			
20033AVN3	Comenity Capital Bank	Monthly Interest	\$ 409
29266N6P7	EnerBank USA	Monthly Interest	\$ 420
32056GCV0	First Internet Bank of Indiana	Monthly Interest	\$ 503
20786ABY0	ConnectOne Bank	Monthly Interest	\$ 462
N/A	LGIP Pool 5	Monthly Gain/Loss	\$ 5,406
N/A	LGIP Pool 5	Recovery from Lehman Brothers	\$ 1,259
N/A	LGIP Pool 7	Monthly Gain/Loss	\$ 4
N/A	LGIP Pool 7	Recovery from Lehman Brothers	\$ 490
N/A	LGIP Pool 500	Monthly Gain/Loss	\$ 30,150
N/A	Interest-Bearing Checking Accounts	Monthly Interest	\$ 1
Subtotal			\$ 39,103
Expenses			
N/A	N/A	Custody Charges	\$ 93
N/A	N/A	Wire Fees	\$ 92
Subtotal			\$ 185
Net Transactions for June 2020			\$ (142,664)

⁽¹⁾ The drawdown of the investments covered the significant capital improvement costs for the month of approximately \$1.1 million, and transfers of approximately \$1.5 million to the trustee for bond payments due on July 1, 2020.

⁽²⁾ The earnings rate on the interest-bearing checking accounts were already low and have dropped due to the current interest rate environment. These accounts were used for restricted court revenues but were not legally required to be maintained separately from the City's pooled cash and investments. After discussion with the Magistrate Judge, it was decided to close these accounts so these funds can benefit from the higher interest earnings of the City's pooled cash and investments. The analyzed checking account used as the clearing account for the court fines, bonds, and restitutions will remain open.

Cash Flows Report⁽¹⁾

Month	Beginning Bank Balance	Cash Basis Receipts	Cash Basis Disbursements	Net Account Transfers	Ending Bank Balance	Outstanding Checks	Ending Cash Basis Balance
<i>Cash Basis Transactions by Month⁽²⁾</i>							
April 2020	2,062,507	3,248,560	(3,557,075)	-	1,753,991	(97,078)	1,656,913
May 2020	1,753,991	2,176,168	(3,355,137)	1,000,000	1,575,021	(96,058)	1,478,963
June 2020	1,575,021	4,692,387	(4,909,467)	623,409	1,981,350	(33,117)	1,948,233
Total Year-to-Date FY 2020		\$ 10,117,115	\$ (11,821,680)	\$ 1,623,409			

⁽¹⁾ This report reflects the activity of the City's cash accounts, excluding a separate account maintained by the Court.

⁽²⁾ Tracking of cash basis transactions in this manner began in April 2020.