

Monthly Investment & Cash Flows Report

September 2022



CITY OF SEDONA

October 11, 2022

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Executive Summary

The fair market value of the City's **total cash and investments as of September 30, 2022 is \$76.5 million**, representing an increase of approximately \$231,000 (<1%) for the month. The **average yield is below the City's benchmark by (-27%)** as a result of a recent increase in the Local Government Investment Pool yield used as the benchmark. Higher cash balances have been maintained to anticipate upcoming significant expenditures. As interest rates continue to rise, further analysis will be performed to evaluate investment options.

September 2022
cash and investments
are \$76.5M.

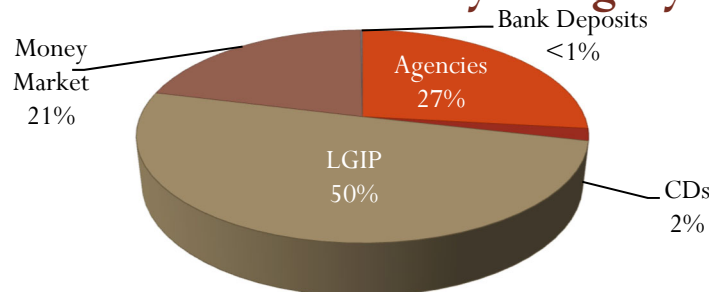
September 2022 Cash & Investments Summary	
Total Cash & Investments	\$76,455,412
Average Yield	1.858%
Benchmark ¹	2.530%
Average Duration	1.0 years

The **average duration is 1.1 years**. The current goal is to maintain as much liquidity as possible for significant financial needs, as well as limiting investment purchases to those with a sufficient return to justify tying up funds for terms of 3-5 years.

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

Cash & Investments by Category



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. The adopted investment policy is available at <https://www.scdonaaz.gov/your-government/departments/financial-services/financial-policies>.

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

Investments Transactions

Net transactions for September 2022 resulted in an increase of the City's cash and investments of approximately \$701,000. The increase was mostly the result of a greater decrease in cash basis disbursements than cash basis receipts. See the Cash Flows section for further discussion.

Cash Flows

Cash basis receipts for September 2022 were approximately \$1.9 million less than the prior month while cash basis disbursements were approximately \$2.5 million less than the prior month. Changes for September 2022 compared to the prior month include:

- Receipts:
 - Cash basis sales and bed tax receipts for September 2022 were approximately \$1.1 million (-31%) less than the prior month. For further discussion, please see the following Cash Basis Sales & Bed Tax Receipts section.
 - Cash basis wastewater monthly receipts for September 2022 were approximately \$16,000 (-3%) less than the prior month. This was largely due to collection of short-term delinquencies in the prior month.
 - Cash basis state shared revenue receipts for September 2022 were approximately \$37,000 (11%) more than the prior month due to an increase in state shared sales taxes receipts.
 - The September reimbursement from the bond trustee for costs incurred for the Uptown parking garage, pedestrian crossing at Oak Creek, and Forest Road extension projects was approximately \$556,000 (-100%) less than the prior month.
- Disbursements:
 - Capital improvement costs for September 2022 were approximately \$638,000 (-43%) less than the prior month primarily due to construction costs for the Forest Road connection project.
 - September 2022 included 3 pay dates compared to 2 pay dates in the prior month resulting in cash basis payroll transactions at approximately \$503,000 (50%) higher.
 - Approximately \$835,000 was paid during August 2022 for the Tourism Bureau contract.
 - Cash basis road rehabilitation disbursements in August 2022 were approximately \$1.6 million.

Cash basis sales and bed tax receipts were approximately \$1.1 million less than the prior month.

Cash basis road rehabilitation and Tourism Bureau contract disbursements were \$2.4 million in the prior month.

Cash Basis Sales & Bed Tax Receipts

Cash basis sales and bed tax receipts for September 2022 were 31% less than the prior month and 2% less than the same month last year. The September 2022 receipts included a portion of July taxes filed in August and a portion of August taxes filed in September, including any delinquent payments that have been filed and paid in those months.

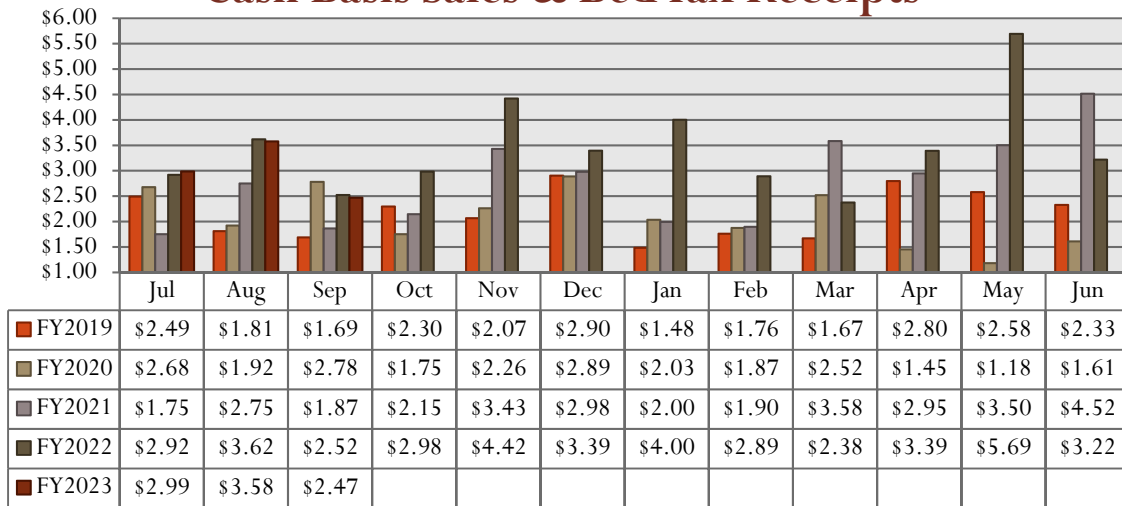
The decrease compared to the prior month is a result of a decrease in the number of Mondays during the month. We receive our weekly distributions from ADOR on Mondays based on the tax returns processed during the prior week. In August, there were 5 Mondays (weeks 32-36), while in September, there were 4 Mondays (weeks 37-40). The tax distribution on August 29, 2022 was approximately \$899,000.

September 2022 cash basis sales and bed tax receipts were 31% less than the prior month.

On average, accrual basis July sales and bed tax revenues are approximately 17% less than June, and accrual basis August sales and bed tax revenues are approximately 4% less than July. July 2022 accrual basis sales and bed tax revenues were 19% less than June 2022. Accrual basis August 2022 sales and bed tax revenue data is not yet available.

While it can be beneficial to have more timely cash basis information, there are still flaws in these comparisons. The accrual basis amounts that will be included in the monthly financial reports will be the best comparisons.

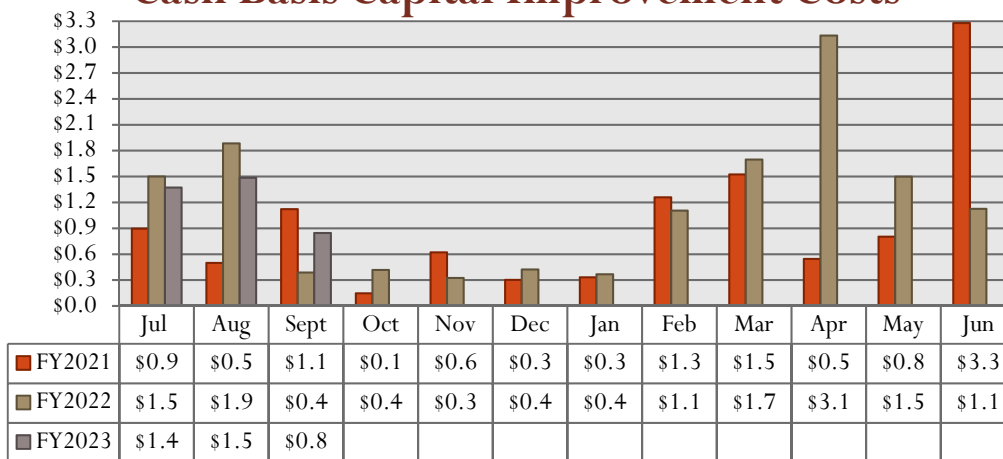
Cash Basis Sales & Bed Tax Receipts



Capital Improvement Costs

As capital projects begin and end their construction phases, the capital improvement costs will fluctuate over time. In addition, land acquisitions can significantly impact capital improvement costs.³ Significant increases in capital improvement costs can result in months when monthly cash disbursements exceed monthly cash receipts.

Cash Basis Capital Improvement Costs

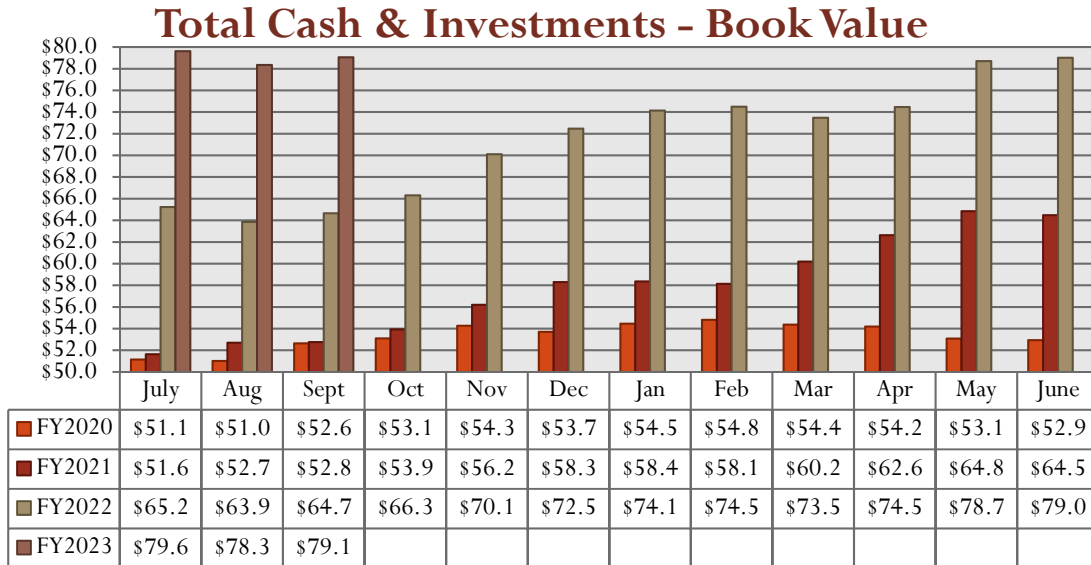


³ FY 2021 includes land acquisition costs of \$1.0 million in September, \$0.1 million in April, and \$2.1 million in June. FY 2022 includes land acquisition costs of \$1.7 million in August, \$0.2 million in October, \$0.6 million in March, \$1.3 million in April, \$0.3 million in May, and \$0.2 million in June.

Analysis

Total cash and investment balances have increased significantly since the low in August 2019 (\$51.0 million) and have significantly exceeded the previous highs occurring before the COVID-19 closures. The City is in a strong financial position to address the many significant priorities and concerns, such as affordability of housing, traffic and transportation needs, impacts of tourism, environmental sustainability concerns, etc.

September 2022 cash and investments far exceeded prior September balances back to 2019.



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.

Available Local Government Investment Pools (LGIP)

The Local Government Investment Pools offered by the Arizona State Treasurer's Office include:

- **LGIP Pool 5** – A diversified short-term fund similar to a prime money market fund. The fund maintains the highest rating from S&P (AAA f/S1+). **September 2022 yield was 2.53%**. There are no restrictions on deposits or withdrawals. The City has traditionally used this fund for all available funds not otherwise invested; however, since the yield has dropped below the earnings rate on the checking account, the balance in this account has been drastically reduced.
- **LGIP Pool 7** – A short-term fund that invests only in products backed by the full faith and credit of the United States Government. The fund has a AAA weighted average rating. **September 2022 yield was 2.34%**. There are no restrictions on deposits or withdrawals. The City has traditionally used this fund for a secure investment of prepaid wastewater capacity fees.
- **LGIP Pool 500** – A medium-term fund similar to the shorter-term Pool 5. The weighted average rating of all the securities in this pool is AA-2. **September 2022 yield was 2.03%**. Deposits and withdrawals are only allowed on the first business day of the month. The City has traditionally used this fund for longer-term investment of reserve balances; however, since the yield for Pool 5 has dropped below the earnings rate on the checking account, surplus balance from Pool 5 have been transferred to Pool 500. Cash flow needs are analyzed each month to determine deposit or withdrawal needs in accordance with the restrictions on this Pool.
- **LGIP Pool 700** – A medium-term fund similar to the shorter-term Pool 7. The fund has a AAA weighted average rating. **September 2022 yield was 1.30%**. Deposits and withdrawals are only allowed on the first business day of the month. The City has not traditionally used this fund since yields in Pool 500 are most often higher.

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 September 30, 2022 (In Years)	Remaining Coupon Rates	Yield	Benchmark at Time of Purchase	Par Value	Book Value	Fair Market Value as of September 30, 2022	Realized Gain/Loss	Unrealized Gain/Loss ⁽²⁾	Accrued Interest Not Yet Recorded ⁽³⁾	% of Investment Pool
U.S. Government Agency Securities															
3133ELHZ0	Federal Farm Credit Bank	1/17/2020	7/17/2023	3.5	0.8	1.600%	1.540%	1.790%	\$ 2,000,000	\$ 2,004,072	\$ 1,959,700	\$ -	\$ (44,372)	\$ 6,575	2.54%
3136G4B77	Federal National Mortgage Association	8/4/2020	8/4/2025	5.0	2.8	0.700%	0.640%	0.200%	\$ 2,000,000	\$ 2,005,896	\$ 1,800,024	\$ -	\$ (205,872)	\$ 2,186	2.54%
3130AKXB7	Federal Home Loan Bank	4/29/2021	2/11/2026	4.8	3.4	0.580%	0.810%	0.090%	\$ 2,000,000	\$ 1,978,446	\$ 1,757,968	\$ -	\$ (220,478)	\$ 1,589	2.50%
3130ALZG2	Federal Home Loan Bank	4/29/2021	4/29/2026	5.0	3.6	1.010%	0.950%	0.090%	\$ 2,000,000	\$ 2,005,846	\$ 1,773,256	\$ -	\$ (232,590)	\$ 8,467	2.54%
3130AMCL4	Federal Home Loan Bank	5/19/2021	5/19/2026	5.0	3.6	1.020%	1.020%	0.090%	\$ 2,000,000	\$ 2,000,000	\$ 1,765,948	\$ -	\$ (234,052)	\$ 7,489	2.53%
3133ELK52	Federal Farm Credit Bank	10/5/2021	6/15/2026	4.7	3.7	0.950%	1.010%	0.060%	\$ 3,000,000	\$ 2,994,000	\$ 2,648,175	\$ -	\$ (345,825)	\$ 8,355	3.79%
3133EM6E7	Federal Farm Credit Bank	9/28/2021	9/28/2026	5.0	4.0	0.940%	0.940%	0.060%	\$ 2,000,000	\$ 2,000,000	\$ 1,743,688	\$ -	\$ (256,312)	\$ 103	2.53%
3130APCH6	Federal Home Loan Bank	9/29/2021	9/29/2026	5.0	4.0	1.125%	1.125%	0.060%	\$ 2,000,000	\$ 2,000,000	\$ 1,759,464	\$ -	\$ (240,536)	\$ 62	2.53%
3130AP6B6	Federal Home Loan Bank	9/30/2021	9/30/2026	5.0	4.0	0.950%	0.900%	0.060%	\$ 2,000,000	\$ 2,004,878	\$ 1,747,194	\$ -	\$ (257,684)	\$ -	2.54%
3130APGT6	Federal Home Loan Bank	10/28/2021	10/28/2026	5.0	4.1	1.150%	1.150%	0.050%	\$ 2,000,000	\$ 1,999,516	\$ 1,755,898	\$ -	\$ (243,618)	\$ 9,767	2.53%
3130APLR4	Federal Home Loan Bank	11/10/2021	11/10/2026	5.0	4.1	1.250%	1.250%	0.050%	\$ 2,000,000	\$ 2,000,000	\$ 1,759,602	\$ -	\$ (240,398)	\$ 9,795	2.53%
Subtotals									\$ 23,000,000	\$ 22,992,654	\$ 20,470,917	\$ -	\$ (2,521,737)	\$ 54,388	29.09%
Negotiable Certificates of Deposit															
87164XSH0	Synchrony Bank	10/6/2017	10/6/2022	5.0	0.0	2.250%	2.250%	1.100%	\$ 247,000	\$ 247,000	\$ 246,966	\$ -	\$ (34)	\$ 2,695	0.31%
06740KLD7	Barclays Bank	10/18/2017	10/18/2022	5.0	0.0	2.300%	2.300%	1.100%	\$ 247,000	\$ 247,000	\$ 246,916	\$ -	\$ (84)	\$ 2,568	0.31%
32056GCV0	First Internet Bank of Indiana	12/28/2017	12/28/2022	5.0	0.2	2.400%	2.400%	1.090%	\$ 247,000	\$ 247,000	\$ 246,423	\$ -	\$ (577)	\$ 32	0.31%
33847E3X3	Flagstar Bank FSB	7/31/2020	7/31/2024	4.0	1.8	0.500%	0.500%	0.340%	\$ 249,000	\$ 249,000	\$ 233,521	\$ -	\$ (15,479)	\$ 208	0.31%
38149MA94	Goldman Sachs Bank USA	9/29/2021	9/29/2026	5.0	4.0	1.050%	1.050%	0.060%	\$ 248,000	\$ 248,000	\$ 219,238	\$ -	\$ (28,762)	\$ 7	0.31%
856283U79	State Bank of India Chicago	9/29/2021	9/29/2026	5.0	4.0	1.100%	1.100%	0.060%	\$ 248,000	\$ 248,000	\$ 219,296	\$ -	\$ (28,704)	\$ 7	0.31%
Subtotals									\$ 1,486,000	\$ 1,486,000	\$ 1,412,361	\$ -	\$ (73,639)	\$ 5,518	1.88%
AZ State Treasurer Local Government Investment Pool (LGIP)															
N/A	Pool 5	N/A	N/A	N/A	0.0	N/A	2.530%	N/A	\$ 3,070,951	\$ 3,070,951	\$ 3,070,951	\$ -	\$ -	\$ -	3.88%
N/A	Pool 7	N/A	N/A	N/A	0.0	N/A	2.340%	N/A	\$ 40,798	\$ 40,798	\$ 40,798	\$ -	\$ -	\$ -	0.05%
N/A	Pool 500	N/A	N/A	N/A	0.0	N/A	2.030%	N/A	\$ 35,316,866	\$ 35,316,866	\$ 35,316,866	\$ -	\$ -	\$ -	44.68%
Subtotals									\$ 38,428,614	\$ 38,428,614	\$ 38,428,614	\$ -	\$ -	\$ -	48.61%
Government Money Market Fund															
N/A	Wells Fargo Sweep Account	N/A	N/A	N/A	0.0	N/A	2.570%	N/A	\$ 16,034,272	\$ 16,034,272	\$ 16,034,272	\$ -	\$ -	\$ -	20.28%
Bank Deposits															
N/A	Analyzed Checking Accounts	N/A	N/A	N/A	0.0	N/A	0.400%	N/A	\$ 109,248	\$ 109,248	\$ 109,248	\$ -	\$ -	\$ -	0.14%
Subtotals									\$ 109,248	\$ 109,248	\$ 109,248	\$ -	\$ -	\$ -	0.14%
Averages/Grand Totals					1.0		1.858%		\$ 79,058,134	\$ 79,050,788	\$ 76,455,412	\$ -	\$ (2,595,376)	\$ 59,907	100.00%

Benchmark per Policy (LGIP Pool 5) 2.530%

⁽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. The accrued interest not yet recorded represents the amount earned since the last interest payment date.

Investment Transactions Summary⁽¹⁾

CUSIP	Issuer	Transaction Type	September 2022 Activity
Acquisitions			
N/A	Wells Fargo Sweep Account	Net Contribution	\$ 916,046
			Subtotal \$ 916,046
Dispositions			
N/A	Analyzed Checking Accounts	Net Withdrawal	\$ 12,566
			Subtotal \$ 12,566
Earnings⁽²⁾			
32056GCV0	First Internet Bank of Indiana	Monthly Interest	\$ 503
38149MA94	Goldman Sachs Bank USA	Semi-annual interest	\$ 1,313
856283U79	State Bank of India Chicago	Semi-annual interest	\$ 1,375
3133EM6E7	Federal Farm Credit Bank	Semi-annual interest	\$ 9,400
3130APCH6	Federal Home Loan Bank	Semi-annual interest	\$ 11,250
3130AP6B6	Federal Home Loan Bank	Semi-annual interest	\$ 9,500
N/A	LGIP Pool 5	Monthly Gain/Loss	\$ 6,363
N/A	LGIP Pool 7	Monthly Gain/Loss	\$ 78
N/A	LGIP Pool 500 ⁽³⁾	Monthly Gain/Loss	\$ (269,372)
N/A	Wells Fargo Sweep Account	Monthly Dividends	\$ 27,463
			Subtotal \$ (202,126)
Expenses			
N/A	N/A	Wire Fees	\$ 75
			Subtotal \$ 75
Net Transactions for September 2022			\$ 701,279

⁽¹⁾ The net increase to investments was mostly the result of a greater decrease in cash basis disbursements than cash basis receipts for the month. See the Cash Flows section of the Executive Summary for further discussion.

⁽²⁾ Of the total interest earnings for September 2022, \$16,722 was accrued to FY2022 in the accrual basis financial records.

⁽³⁾ LGIP Pool 500 is required to account for unrealized gains and losses. Due to current investment market and continuing increases in interest rates by the Federal Reserve, market values of investments are less than book values. The State Treasurer's Office does not plan to sell investments before maturity unless there is a compelling reason to sell.

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
Cash Basis Transactions by Month							
July 2021	\$ 4,914,440	\$ 6,171,652	\$ (5,498,167)	\$ -	\$ 5,587,924	\$ (187,593)	\$ 5,400,332
August 2021	5,587,924	4,863,814	(6,247,769)	494,000	4,697,970	(84,732)	4,613,238
September 2021	4,697,970	3,731,164	(2,845,089)	(4,006,878)	1,577,167	(56,089)	1,521,078
October 2021	1,577,167	4,407,999	(2,677,579)	445,248	3,752,835	(25,964)	3,726,870
November 2021	3,752,835	6,009,172	(2,213,788)	(2,000,000)	5,548,218	(43,406)	5,504,812
December 2021	5,548,218	5,022,184	(2,652,010)	-	7,918,392	(284,940)	7,633,452
January 2022	7,918,392	5,413,856	(3,582,885)	-	9,749,363	(250,254)	9,499,109
February 2022	9,749,363	4,124,053	(3,680,508)	-	10,192,908	(223,677)	9,969,230
March 2022	10,192,908	3,604,476	(4,364,213)	-	9,433,171	(25,446)	9,407,724
April 2022	9,433,171	6,602,857	(5,393,225)	-	10,642,802	(23,033)	10,619,769
May 2022	10,642,802	7,877,792	(3,781,988)	-	14,738,607	(21,712)	14,716,895
June 2022	14,738,607	5,222,443	(4,813,061)	-	15,147,989	(461,725)	14,686,263
Total FY 2022		\$ 63,051,461	\$ (47,750,282)	\$ (5,067,630)			
July 2022	\$ 15,147,989	\$ 6,603,701	\$ (6,072,711)	\$ -	\$ 15,678,978	\$ (536,118)	\$ 15,142,860
August 2022	15,678,978	5,792,101	(6,340,379)	494,000	15,624,701	(192,637)	15,432,064
September 2022	15,624,701	3,881,208	(3,878,284)	-	15,627,624	(225,806)	15,401,818
Total Year-to-Date FY 2023		\$ 16,277,010	\$ (16,291,375)	\$ 494,000			

⁽¹⁾ This report reflects the activity of the City's cash accounts, excluding a separate account maintained by the Court, with an assumption of the overnight sweep account balances returned to the checking account.