

# Monthly Investment & Cash Flows Report

March 2023



**CITY OF SEDONA**

April 19, 2023

# Monthly Investment & Cash Flows Report

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## Executive Summary

The fair market value of the City's **total cash and investments as of March 31, 2023 is \$75.1 million**, representing an increase of **approximately \$96,000 (<1%) for the month**. The **average yield is below the City's benchmark by 43%** as a result of increases in the Local Government Investment Pool yield used as the benchmark. Higher cash balances have been maintained to cover anticipated upcoming significant expenditures. As interest rates continue to rise, further analysis will be performed to evaluate investment options.

*March 2023 cash and investments are \$75.1M.*

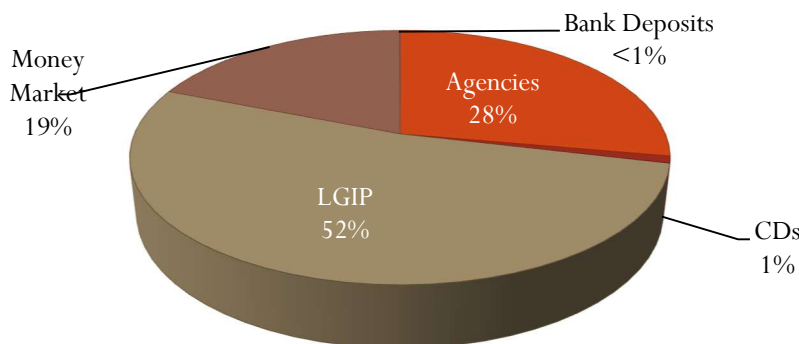
March 2023 Cash & Investments Summary	
Total Cash & Investments	\$75,108,613
Average Yield	2.747%
Benchmark <sup>1</sup>	4.840%
Average Duration	0.9 years

The **average duration is 0.9 years**. The current goal is to maintain as much liquidity as possible for upcoming significant financial needs.

## 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.<sup>2</sup>

### Cash & Investments by Category



<sup>1</sup> 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.sedonaaz.gov/your-government/departments/financial-services/financial-policies>.

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

## Investments Transactions

**Net transactions for March 2023 resulted in a decrease of the City's cash and investments of approximately \$186,000.** The increase was largely the result of higher cash disbursements for the month. See the Cash Flows section for further discussion.

## Cash Flows

Cash basis **receipts for March 2023 were approximately \$247,000 less than the prior month** while cash basis **disbursements were \$1.8 million more than the prior month.** Changes for March 2023 compared to the prior month include:

- Receipts:
  - Cash basis sales and bed tax receipts for March 2023 were approximately \$25,000 (-1%) 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 March 2023 were approximately \$23,000 (4%) more than the prior month due to timing of receipts.
  - Cash basis state shared revenue receipts for March 2023 were approximately \$10,000 (3%) less than the prior month due to a decrease in state shared sales taxes and state shared gas tax receipts.
  - Cash basis short-term rental permits were \$60,000 (82%) less than the prior month due to fewer remaining properties not already paid.
  - A one-time grant receipt of approximately \$70,000 was received in March 2023.
  - The drawdowns from the XpressBillPay account were approximately \$484,000 (79%) less than the prior month due to timing differences.
- Disbursements:
  - Capital improvement costs for March 2023 were approximately \$289,000 (-25%) less than the prior month primarily due to timing of the wastewater lift station upgrade costs.
  - The February 2023 monthly purchasing card payment of approximately \$253,000 occurred in March instead of February, in addition to the March 2023 settlement of approximately \$208,000.
  - March 2023 included 3 pay dates compared to 2 pay dates in the prior month resulting in cash basis payroll transactions at approximately \$514,000 (52%) higher.
  - Semiannual payments for the community service contracts and matching costs for the Verde Shuttle of approximately \$483,000 were paid during March 2023.
  - Quarterly insurance premiums of approximately \$107,000 were paid during March 2023.
  - A loan disbursement for the Sunset Lofts project of approximately \$190,000 was paid during March 2023.

*Cash basis disbursements were higher mostly due to the timing of payroll and semiannual payments.*

## Cash Basis Sales & Bed Tax Receipts

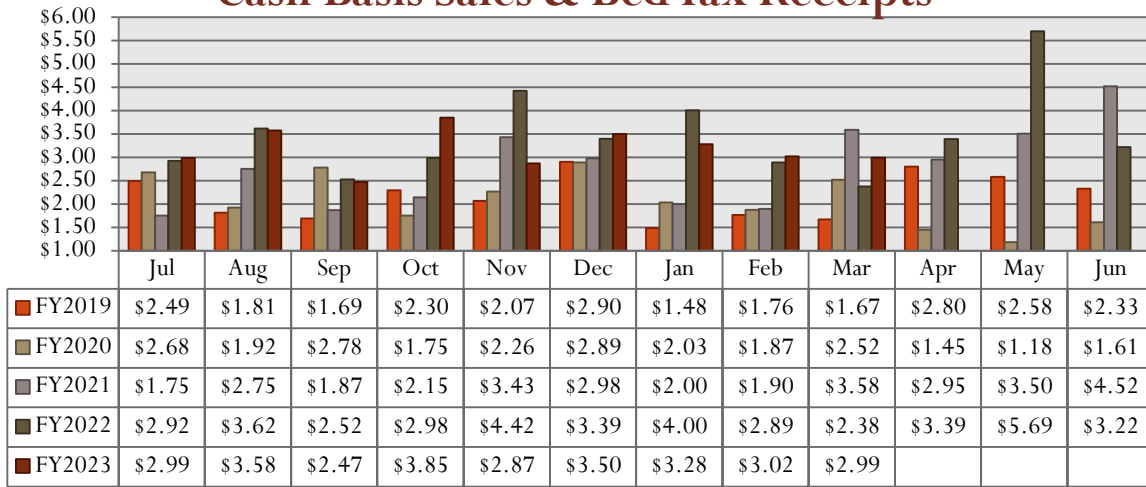
**Cash basis sales and bed tax receipts for March 2023 were 1% lower than the prior month and 26% higher than the same month last year.** The March 2023 receipts included a portion of January taxes filed in February and a portion of February taxes filed in March, including any delinquent payments that have been filed and paid in those months.

On average, accrual basis January sales and bed tax revenues are approximately 13% less than December, and accrual basis February sales and bed tax revenues are approximately 10% more than January. January 2023 accrual basis sales and bed tax revenues were 7% less than December 2022. February 2023 accrual basis sales and bed tax revenues were 13% less than January 2023.

*March 2023 cash basis sales and bed tax receipts were 26% higher than the prior year.*

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.

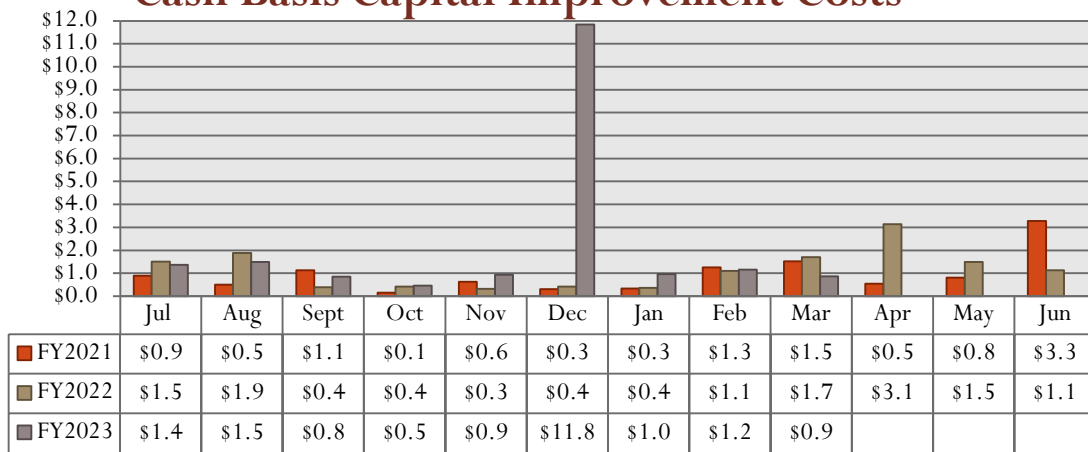
### Cash Basis Sales & Bed Tax Receipts



### 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.<sup>3</sup> Significant increases in capital improvement costs can result in months when monthly cash disbursements exceed monthly cash receipts.

### Cash Basis Capital Improvement Costs

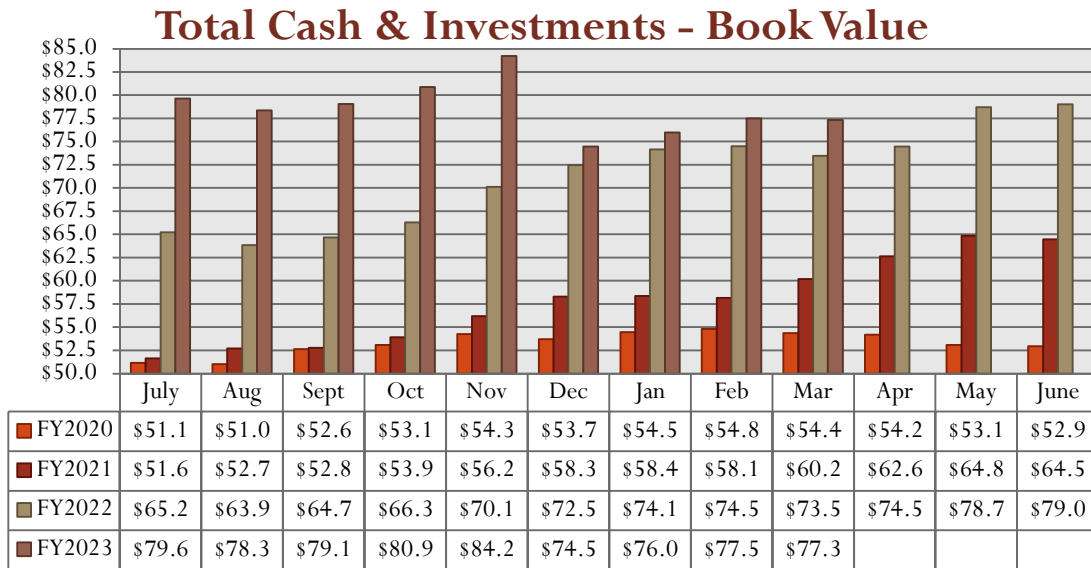


<sup>3</sup> FY 2023 includes cash-funded land acquisition costs of \$11.5 million in December. An additional \$10 million for land acquisition in December was funded by a bond issuance.

## 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.

*March 2023 cash and investments far exceed prior March balances back to 2020.*



## 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+). **March 2023 yield was 4.84%**. 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. **March 2023 yield was 4.71%**. 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. **March 2023 yield was 2.95%**. 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. **March 2023 yield was 2.83%**. 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 <sup>(1)</sup>	Remaining Duration as of March 31, 2023 (In Years)	Remaining Coupon Rates	Yield	Benchmark at Time of Purchase	Par Value	Book Value	Fair Market Value as of March 31, 2023	Realized Gain/Loss	Unrealized Gain/Loss <sup>(2)</sup>	Accrued Interest Not Yet Recorded <sup>(3)</sup>	% of Investment Pool
<b>U.S. Government Agency Securities</b>															
3133ELHZ0	Federal Farm Credit Bank	1/17/2020	7/17/2023	3.5	0.3	1.600%	1.540%	1.790%	\$ 2,000,000	\$ 2,004,072	\$ 1,981,476	\$ -	\$ (22,596)	\$ 6,400	2.59%
3136G4B77	Federal National Mortgage Association	8/4/2020	8/4/2025	5.0	2.3	0.700%	0.640%	0.200%	\$ 2,000,000	\$ 2,005,896	\$ 1,835,372	\$ -	\$ (170,524)	\$ 2,033	2.59%
3130AKXB7	Federal Home Loan Bank	4/29/2021	2/11/2026	4.8	2.9	0.580%	0.810%	0.090%	\$ 2,000,000	\$ 1,978,446	\$ 1,792,204	\$ -	\$ (186,242)	\$ 1,462	2.56%
3130ALZG2	Federal Home Loan Bank	4/29/2021	4/29/2026	5.0	3.1	1.010%	0.950%	0.090%	\$ 2,000,000	\$ 2,005,846	\$ 1,807,350	\$ -	\$ (198,496)	\$ 8,357	2.59%
3130AMCL4	Federal Home Loan Bank	5/19/2021	5/19/2026	5.0	3.1	1.020%	1.020%	0.090%	\$ 2,000,000	\$ 2,000,000	\$ 1,803,920	\$ -	\$ (196,080)	\$ 7,378	2.59%
3133ELK52	Federal Farm Credit Bank	10/5/2021	6/15/2026	4.7	3.2	0.950%	1.010%	0.060%	\$ 3,000,000	\$ 2,994,000	\$ 2,699,868	\$ -	\$ (294,132)	\$ 8,277	3.87%
3133EM6E7	Federal Farm Credit Bank	9/28/2021	9/28/2026	5.0	3.5	0.940%	0.940%	0.060%	\$ 2,000,000	\$ 2,000,000	\$ 1,781,406	\$ -	\$ (218,594)	\$ 155	2.59%
3130APCH6	Federal Home Loan Bank	9/29/2021	9/29/2026	5.0	3.5	1.125%	1.125%	0.060%	\$ 2,000,000	\$ 2,000,000	\$ 1,792,932	\$ -	\$ (207,068)	\$ 123	2.59%
3130AP6B6	Federal Home Loan Bank	9/30/2021	9/30/2026	5.0	3.5	0.950%	0.900%	0.060%	\$ 2,000,000	\$ 2,004,878	\$ 1,781,864	\$ -	\$ (223,014)	\$ 52	2.59%
3130APGT6	Federal Home Loan Bank	10/28/2021	10/28/2026	5.0	3.6	1.150%	1.150%	0.050%	\$ 2,000,000	\$ 1,999,516	\$ 1,790,942	\$ -	\$ (208,574)	\$ 9,704	2.59%
3130APLR4	Federal Home Loan Bank	11/10/2021	11/10/2026	5.0	3.6	1.250%	1.250%	0.050%	\$ 2,000,000	\$ 2,000,000	\$ 1,800,554	\$ -	\$ (199,446)	\$ 9,658	2.59%
<b>Subtotals</b>									<b>\$ 23,000,000</b>	<b>\$ 22,992,654</b>	<b>\$ 20,867,888</b>	<b>\$ -</b>	<b>\$ (2,124,766)</b>	<b>\$ 53,597</b>	<b>29.74%</b>
<b>Negotiable Certificates of Deposit</b>															
33847E3X3	Flagstar Bank FSB	7/31/2020	7/31/2024	4.0	1.3	0.500%	0.500%	0.340%	\$ 249,000	\$ 249,000	\$ 234,457	\$ -	\$ (14,543)	\$ 201	0.32%
38149MA94	Goldman Sachs Bank USA	9/29/2021	9/29/2026	5.0	3.5	1.050%	1.050%	0.060%	\$ 248,000	\$ 248,000	\$ 217,283	\$ -	\$ (30,717)	\$ 14	0.32%
856283U79	State Bank of India Chicago	9/29/2021	9/29/2026	5.0	3.5	1.100%	1.100%	0.060%	\$ 248,000	\$ 248,000	\$ 217,335	\$ -	\$ (30,665)	\$ 15	0.32%
<b>Subtotals</b>									<b>\$ 745,000</b>	<b>\$ 745,000</b>	<b>\$ 669,075</b>	<b>\$ -</b>	<b>\$ (75,925)</b>	<b>\$ 230</b>	<b>0.96%</b>
<b>AZ State Treasurer Local Government Investment Pool (LGIP)</b>															
N/A	Pool 5	N/A	N/A	N/A	0.0	N/A	4.840%	N/A	\$ 3,134,647	\$ 3,134,647	\$ 3,134,647	\$ -	\$ -	\$ -	4.05%
N/A	Pool 7	N/A	N/A	N/A	0.0	N/A	4.710%	N/A	\$ 41,611	\$ 41,611	\$ 41,611	\$ -	\$ -	\$ -	0.05%
N/A	Pool 500	N/A	N/A	N/A	0.0	N/A	2.950%	N/A	\$ 36,125,375	\$ 36,125,375	\$ 36,125,375	\$ -	\$ -	\$ -	46.73%
<b>Subtotals</b>									<b>\$ 39,301,633</b>	<b>\$ 39,301,633</b>	<b>\$ 39,301,633</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>50.84%</b>
<b>Government Money Market Fund</b>															
N/A	Wells Fargo Sweep Account	N/A	N/A	N/A	0.0	N/A	4.646%	N/A	\$ 14,228,424	\$ 14,228,424	\$ 14,228,424	\$ -	\$ -	\$ -	18.40%
<b>Bank Deposits</b>															
N/A	Analyzed Checking Accounts	N/A	N/A	N/A	0.0	N/A	0.400%	N/A	\$ 41,593	\$ 41,593	\$ 41,593	\$ -	\$ -	\$ -	0.05%
<b>Averages/Grand Totals</b>					<b>0.9</b>		<b>2.747%</b>		<b>\$ 77,316,650</b>	<b>\$ 77,309,304</b>	<b>\$ 75,108,613</b>	<b>\$ -</b>	<b>\$ (2,200,691)</b>	<b>\$ 53,828</b>	<b>100.00%</b>

Benchmark per Policy (LGIP Pool 5)      4.840%

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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<sup>(1)</sup>

CUSIP	Issuer	Transaction Type	March 2023 Activity
<b>Acquisitions</b>			
			<b>Subtotal</b> \$ -
<b>Dispositions</b>			
N/A	Wells Fargo Sweep Account	Net Withdrawal	\$ 458,480
N/A	Analyzed Checking Accounts	Net Withdrawal	\$ 136,074
			<b>Subtotal</b> \$ <b>594,554</b>
<b>Earnings</b>			
38149MA94	Goldman Sachs Bank USA	Semi-annual interest	\$ 1,291
856283U79	State Bank of India Chicago	Semi-annual interest	\$ 1,353
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	\$ 12,508
N/A	LGIP Pool 7	Monthly Gain/Loss	\$ 162
N/A	LGIP Pool 500 <sup>(2)</sup>	Monthly Gain/Loss	\$ 308,884
N/A	Wells Fargo Sweep Account	Monthly Dividends	\$ 54,104
			<b>Subtotal</b> \$ <b>408,452</b>
<b>Expenses</b>			
N/A	N/A	Wire Fees	\$ 75
			<b>Subtotal</b> \$ <b>75</b>
<b>Net Transactions for March 2023</b>			<b>\$ (186,177)</b>

<sup>(1)</sup> The net decrease to investments was largely the result of higher cash disbursements for the month. See the Cash Flows section of the Executive Summary for further discussion.



## Cash Flows Report<sup>(1)</sup>

Month	Beginning Bank Balance	Cash Basis Receipts	Cash Basis Disbursements	Net Account Transfers	Ending Bank Balance	Outstanding Checks	Ending Cash Basis Balance
<b><i>Cash Basis Transactions by Month</i></b>							
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
<b>March 2022</b>	<b>10,192,908</b>	<b>3,604,476</b>	<b>(4,364,213)</b>	<b>-</b>	<b>9,433,171</b>	<b>(25,446)</b>	<b>9,407,724</b>
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
<b>Total FY 2022</b>		<b>\$ 63,051,461</b>	<b>\$ (47,750,282)</b>	<b>\$ (5,067,630)</b>			
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
October 2022	15,627,624	5,287,833	(3,006,962)	494,000	18,402,496	(151,056)	18,251,440
November 2022	18,402,496	6,793,873	(3,703,366)	-	21,493,002	(96,323)	21,396,679
December 2022	21,493,002	5,294,081	(15,188,448)	247,000	11,845,635	(151,154)	11,694,481
January 2023	11,845,635	5,493,840	(4,319,283)	-	13,020,192	(148,519)	12,871,673
February 2023	13,020,192	4,673,367	(3,044,260)	-	14,649,299	(297,517)	14,351,782
<b>March 2023</b>	<b>14,649,299</b>	<b>4,426,143</b>	<b>(4,855,485)</b>	<b>-</b>	<b>14,219,957</b>	<b>(269,299)</b>	<b>13,950,658</b>
<b>Total Year-to-Date FY 2023</b>		<b>\$ 48,246,147</b>	<b>\$ (50,409,178)</b>	<b>\$ 1,235,000</b>			

<sup>(1)</sup> 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.