

# Monthly Investment & Cash Flows Report

October 2023



**CITY OF SEDONA**

November 16, 2023

# Monthly Investment & Cash Flows Report

October 2023

## Executive Summary

The fair market value of the City's **total cash and investments as of October 31, 2023 is \$81.8 million**, representing an increase of **approximately \$3.3 million (4%) for the month**. The **average yield is below the City's benchmark by 35%** 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.

October 2023 cash and investments are \$81.8M.

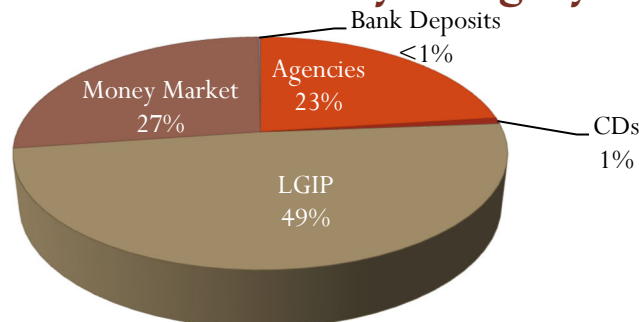
October 2023 Cash & Investments Summary	
Total Cash & Investments	\$81,849,338
Average Yield	3.453%
Benchmark <sup>1</sup>	5.350%
Average Duration	0.7 years

The **average duration is 0.7 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 October 2023 resulted in an increase of the City's cash and investments of approximately \$3.2 million.** For October, the net increase to investments was largely the result of higher cash receipts from the prior month. See the Cash Flows section for further discussion.

## Cash Flows

Cash basis **receipts for October 2023 were \$2.1 million more than the prior month** while cash basis **disbursements were \$182,000 less than the prior month.** Changes for October 2023 compared to the prior month include:

- Receipts:
  - Cash basis sales and bed tax receipts for October 2023 were approximately \$1.5 million (62%) more than the prior month. For further discussion, please see the following Cash Basis Sales & Bed Tax Receipts section.
  - Cash basis wastewater monthly receipts for October 2023 were approximately \$19,000 (4%) less than the prior month due to timing of receipts.
  - Cash basis state shared revenue receipts for October 2023 were approximately \$19,000 (4%) less than the prior month due to a decrease in state shared sales tax receipts.
  - Quarterly franchise fees of approximately \$255,000 were received in October.
  - Quarterly in-lieu fees from Sedona Summit of approximately \$554,000 were received in October.
- Disbursements:
  - Capital improvement costs for October 2023 were approximately \$149,000 (54%) more than the prior month.
  - September 2023 included 3 pay dates compared to 2 pay dates in October 2023 resulting in cash basis payroll transactions at approximately \$42,000 (4%) lower.
  - The October purchasing card payment was approximately \$51,000 (19%) less than the prior month.
  - Semiannual payments for the community service contracts of approximately \$205,000 were paid during September 2023.
  - Quarterly property and liability insurance premiums of approximately \$218,000 were paid during the prior month.

*Cash basis sales and bed receipts were \$1.5 million more than the prior month.*

## Cash Basis Sales & Bed Tax Receipts

**Cash basis sales and bed tax receipts for October 2023 were 62% more than the prior month and 2% more than the same month last year.** The October 2023 receipts included a portion of August taxes filed in September and a portion of September taxes filed in October, including any delinquent payments that have been filed and paid in those months.

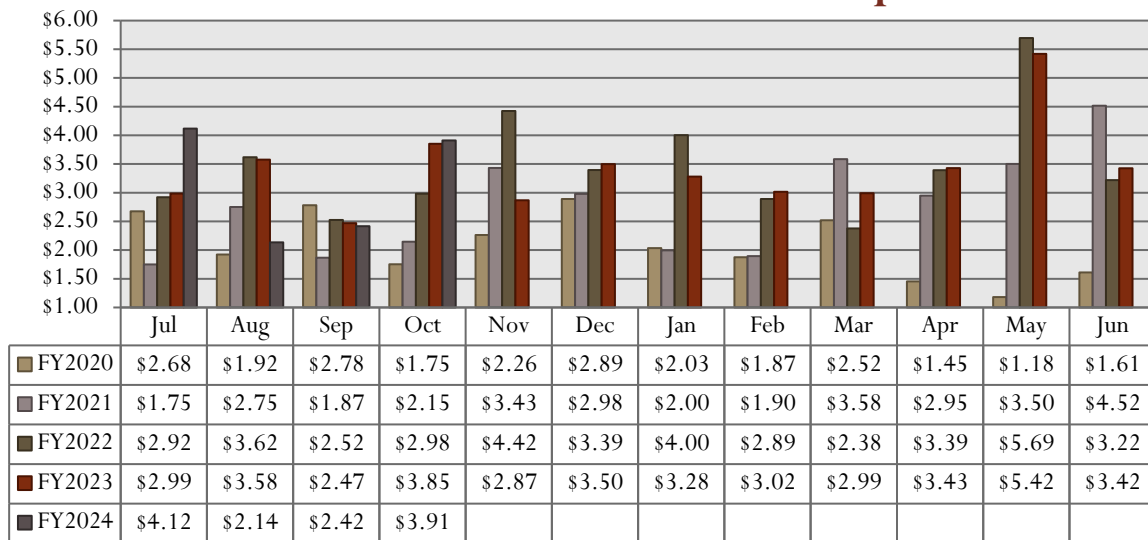
*October 2023 cash basis sales and bed tax receipts were 2% more than the prior year.*

The increase compared to the prior month is a result of an increase in the number of Mondays from the prior month. Weekly distributions from ADOR are received on Mondays based on the tax returns processed during the prior week. In September, there were 4 Mondays (weeks 36-39), while in October, there were 5 Mondays (weeks 40-44). The tax distribution on October 30, 2023 was approximately \$1.2 million.

On average, accrual basis August sales and bed tax revenues are approximately 4% less than July, and accrual basis September sales and bed tax revenues are approximately 15% more than August. August 2023 accrual basis sales and bed tax revenues were 7% less than July. September 2023 accrual basis sales and bed tax revenues were 33% more than August.

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

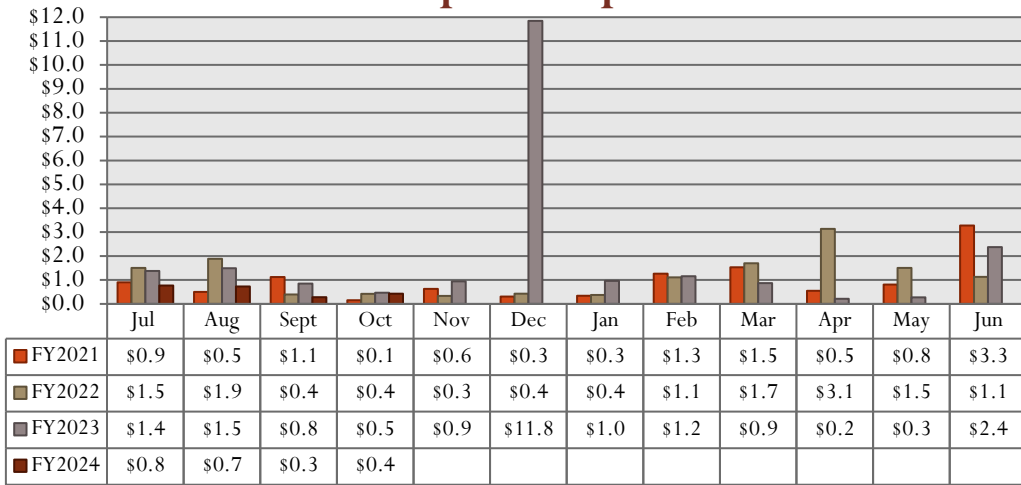


### Capital Improvement Costs

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.

<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.

## Cash Basis Capital Improvement Costs

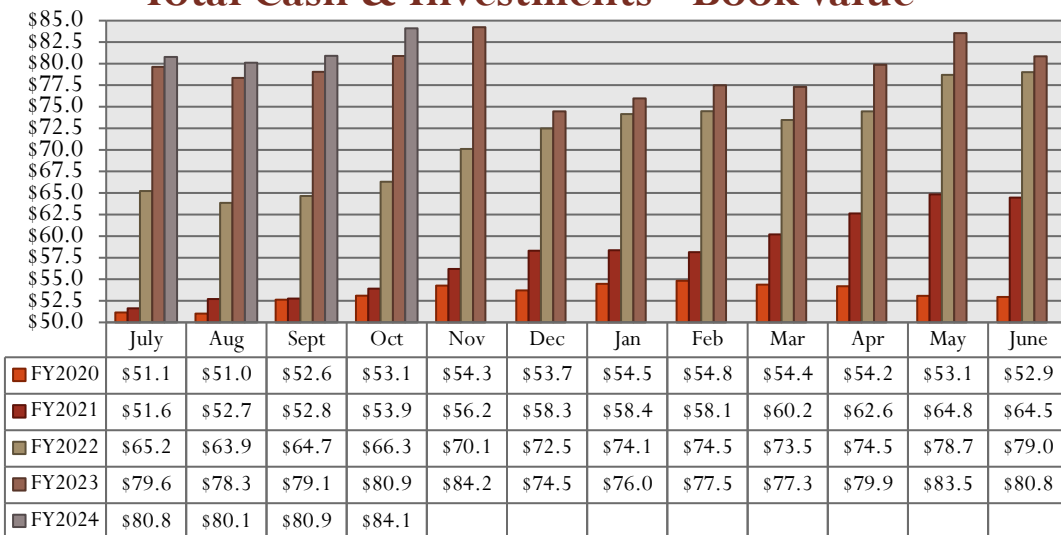


### Analysis

Total cash and investment balances have increased significantly since the low over the past five fiscal years occurring 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.

*October 2023 cash and investments exceed prior October balances back to FY2020.*

## Total Cash & Investments - Book Value



### 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+). **October 2023 yield was 5.35%**. 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. **October 2023 yield was 5.32%**. 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. **October 2023 yield was 3.69%**. 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. **October 2023 yield was 3.93%**. 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:*

*Cherie R. White, CPA, CGFM  
 Director of Financial Services  
 City of Sedona  
 102 Roadrunner Drive  
 Sedona, AZ 86336  
 (928) 204-7185  
[cwhite@sedonaaz.gov](mailto:cwhite@sedonaaz.gov)*

## Investment Holdings Summary

CUSIP	Issuer	Settlement Date	Maturity Date	Initial Duration <sup>(1)</sup>	Remaining Duration as of October 31, 2023 (In Years)	Remaining Coupon Rates	Yield	Benchmark at Time of Purchase	Par Value	Book Value	Fair Market Value as of October 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>															
3136G4B77	Federal National Mortgage Association	8/4/2020	8/4/2025	5.0	1.8	0.700%	0.640%	0.200%	\$ 2,000,000	\$ 2,005,896	\$ 1,844,760	\$ -	\$ (161,136)	\$ 3,375	2.39%
3130AKXB7	Federal Home Loan Bank	4/29/2021	2/11/2026	4.8	2.3	0.580%	0.810%	0.090%	\$ 2,000,000	\$ 1,978,446	\$ 1,798,694	\$ -	\$ (179,752)	\$ 2,574	2.35%
3130ALZG2	Federal Home Loan Bank	4/29/2021	4/29/2026	5.0	2.5	1.010%	0.950%	0.090%	\$ 2,000,000	\$ 2,005,846	\$ 1,802,479	\$ -	\$ (203,367)	\$ 111	2.39%
3130AMCL4	Federal Home Loan Bank	5/19/2021	5/19/2026	5.0	2.6	1.020%	1.020%	0.090%	\$ 2,000,000	\$ 2,000,000	\$ 1,800,571	\$ -	\$ (199,429)	\$ 9,222	2.38%
3133ELK52	Federal Farm Credit Bank	10/5/2021	6/15/2026	4.7	2.6	0.950%	1.010%	0.060%	\$ 3,000,000	\$ 2,994,000	\$ 2,686,419	\$ -	\$ (307,581)	\$ 10,775	3.56%
3133EM6E7	Federal Farm Credit Bank	9/28/2021	9/28/2026	5.0	2.9	0.940%	0.940%	0.060%	\$ 2,000,000	\$ 2,000,000	\$ 1,770,877	\$ -	\$ (229,123)	\$ 1,700	2.38%
3130APCH6	Federal Home Loan Bank	9/29/2021	9/29/2026	5.0	2.9	1.125%	1.125%	0.060%	\$ 2,000,000	\$ 2,000,000	\$ 1,780,530	\$ -	\$ (219,470)	\$ 1,973	2.38%
3130AP6B6	Federal Home Loan Bank	9/30/2021	9/30/2026	5.0	2.9	0.950%	0.900%	0.060%	\$ 2,000,000	\$ 2,004,878	\$ 1,771,041	\$ -	\$ (233,837)	\$ 1,614	2.38%
3130APGT6	Federal Home Loan Bank	10/28/2021	10/28/2026	5.0	3.0	1.150%	1.150%	0.050%	\$ 2,000,000	\$ 1,999,516	\$ 1,776,803	\$ -	\$ (222,713)	\$ 189	2.38%
3130APLR4	Federal Home Loan Bank	11/10/2021	11/10/2026	5.0	3.0	1.250%	1.250%	0.050%	\$ 2,000,000	\$ 2,000,000	\$ 1,779,298	\$ -	\$ (220,702)	\$ 11,918	2.38%
<b>Subtotals</b>									<b>\$ 21,000,000</b>	<b>\$ 20,988,582</b>	<b>\$ 18,811,473</b>	<b>\$ -</b>	<b>\$ (2,177,109)</b>	<b>\$ 43,450</b>	<b>24.96%</b>
<b>Negotiable Certificates of Deposit</b>															
33847E3X3	Flagstar Bank FSB	7/31/2020	7/31/2024	4.0	0.8	0.500%	0.500%	0.340%	\$ 249,000	\$ 249,000	\$ 239,640	\$ -	\$ (9,360)	\$ 314	0.30%
38149MA94	Goldman Sachs Bank USA	9/29/2021	9/29/2026	5.0	2.9	1.050%	1.050%	0.060%	\$ 248,000	\$ 248,000	\$ 220,207	\$ -	\$ (27,793)	\$ 228	0.29%
856283U79	State Bank of India Chicago	9/29/2021	9/29/2026	5.0	2.9	1.100%	1.100%	0.060%	\$ 248,000	\$ 248,000	\$ 220,249	\$ -	\$ (27,751)	\$ 239	0.29%
<b>Subtotals</b>									<b>\$ 745,000</b>	<b>\$ 745,000</b>	<b>\$ 680,096</b>	<b>\$ -</b>	<b>\$ (64,904)</b>	<b>\$ 781</b>	<b>0.89%</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	5.350%	N/A	\$ 3,231,418	\$ 3,231,418	\$ 3,231,418	\$ -	\$ -	\$ -	3.84%
N/A	Pool 7	N/A	N/A	N/A	0.0	N/A	5.320%	N/A	\$ 42,897	\$ 42,897	\$ 42,897	\$ -	\$ -	\$ -	0.05%
N/A	Pool 500	N/A	N/A	N/A	0.0	N/A	3.690%	N/A	\$ 36,781,114	\$ 36,781,114	\$ 36,781,114	\$ -	\$ -	\$ -	43.74%
<b>Subtotals</b>									<b>\$ 40,055,430</b>	<b>\$ 40,055,430</b>	<b>\$ 40,055,430</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>47.63%</b>
<b>Government Money Market Fund</b>															
N/A	Wells Fargo Sweep Account	N/A	N/A	N/A	0.0	N/A	5.223%	N/A	\$ 22,179,490	\$ 22,179,490	\$ 22,179,490	\$ -	\$ -	\$ -	26.38%
<b>Bank Deposits</b>															
N/A	Analyzed Checking Accounts	N/A	N/A	N/A	0.0	N/A	0.400%	N/A	\$ 122,849	\$ 122,849	\$ 122,849	\$ -	\$ -	\$ -	0.15%
<b>Averages/Grand Totals</b>					<b>0.7</b>		<b>3.453%</b>		<b>\$ 84,102,769</b>	<b>\$ 84,091,351</b>	<b>\$ 81,849,338</b>	<b>\$ -</b>	<b>\$ (2,242,013)</b>	<b>\$ 44,232</b>	<b>100.00%</b>

Benchmark per Policy (LGIP Pool 5)      5.350%

<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> Investments pay interest semi-annually. 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	October 2023 Activity
<b>Acquisitions</b>			
N/A	Wells Fargo Sweep Account	Net Contribution	\$ 2,883,414
N/A	Analyzed Checking Accounts	Net Contribution	\$ 71,723
<b>Subtotal</b>			<b>\$ 2,955,137</b>
<b>Dispositions</b>			
<b>Subtotal</b>			<b>\$ -</b>
<b>Earnings</b>			
3130APGT6	Federal Home Loan Bank	Semi-annual interest	\$ 11,500
3130AP6B6	Federal Home Loan Bank	Semi-annual interest	\$ 9,500
3130ALZG2	Federal Home Loan Bank	Semi-annual interest	\$ 10,100
N/A	LGIP Pool 5	Monthly Gain/Loss	\$ 14,738
N/A	LGIP Pool 7	Monthly Gain/Loss	\$ 193
N/A	LGIP Pool 500	Monthly Gain/Loss	\$ 104,025
N/A	Wells Fargo Sweep Account	Monthly Dividends	\$ 92,754
<b>Subtotal</b>			<b>\$ 242,809</b>
<b>Expenses</b>			
N/A	N/A	Quarterly Custody Charges	\$ 191
N/A	N/A	Wire Fees	\$ 50
<b>Subtotal</b>			<b>\$ 241</b>
<b>Net Transactions for October 2023</b>			<b>\$ 3,197,705</b>

<sup>(1)</sup> For October, the net increase to investments was largely the result of higher cash receipts for the month and a small decrease in expenses from the prior month. See the Cash Flows section of the Executive Summary for further discussion.

<sup>(2)</sup> Of the total interest earnings for October 2023, \$12,190 was accrued to FY2023 in the accrual basis financial records.



## 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 2022	\$ 15,147,989	\$ 6,603,701	\$ (6,072,711)	\$ -	\$ 15,678,978	\$ (536,120)	\$ 15,142,858
August 2022	15,678,978	\$ 5,800,569	\$ (6,340,379)	\$ 494,000	15,633,168	\$ (192,739)	15,440,429
September 2022	15,633,168	\$ 3,881,208	\$ (3,878,284)	\$ -	15,636,092	\$ (225,927)	15,410,164
<b>October 2022</b>	<b>15,636,092</b>	<b>\$ 5,287,833</b>	<b>\$ (3,006,962)</b>	<b>\$ 494,000</b>	<b>18,410,963</b>	<b>\$ (151,177)</b>	<b>18,259,786</b>
November 2022	18,410,963	\$ 6,793,873	\$ (3,703,366)	\$ -	21,501,470	\$ (96,444)	21,405,026
December 2022	21,501,470	\$ 5,294,081	\$ (15,188,448)	\$ 247,000	11,854,103	\$ (160,905)	11,693,197
January 2023	11,854,103	\$ 5,493,840	\$ (4,319,283)	\$ -	13,028,659	\$ (168,583)	12,860,076
February 2023	13,028,659	\$ 4,673,367	\$ (3,044,260)	\$ -	14,657,766	\$ (215,801)	14,441,966
March 2023	14,657,766	\$ 4,426,143	\$ (4,855,485)	\$ -	14,228,424	\$ (289,531)	13,938,893
April 2023	14,228,424	\$ 5,249,503	\$ (2,917,262)	\$ -	16,560,666	\$ (115,086)	16,445,580
May 2023	16,560,666	\$ 6,996,551	\$ (3,332,667)	\$ -	20,224,550	\$ (220,782)	20,003,768
June 2023	20,224,550	\$ 4,790,198	\$ (7,487,931)	\$ -	17,526,817	\$ (307,653)	17,219,165
<b>Total FY 2023</b>		<b>\$ 65,290,867</b>	<b>\$ (64,147,038)</b>	<b>\$ 1,235,000</b>			
July 2023	\$ 17,526,817	\$ 6,172,038	\$ (6,420,832)	\$ 2,004,072	\$ 19,282,095	\$ (506,004)	\$ 18,776,092
August 2023	19,282,095	\$ 3,554,368	\$ (4,399,364)	\$ -	18,437,099	\$ (323,581)	18,113,518
September 2023	18,437,099	\$ 3,932,431	\$ (3,197,067)	\$ -	19,172,463	\$ (257,361)	18,915,102
<b>October 2023</b>	<b>19,172,463</b>	<b>\$ 6,060,146</b>	<b>\$ (3,014,742)</b>	<b>\$ -</b>	<b>22,217,867</b>	<b>\$ (141,028)</b>	<b>22,076,839</b>
<b>Total Year-to-Date FY 2024</b>		<b>\$ 19,718,983</b>	<b>\$ (17,032,005)</b>	<b>\$ 2,004,072</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.