



Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

THROUGH: Bruce Moe, Finance Director

FROM: Henry Mitzner, Controller
Eden Serina, Financial Analyst

DATE: March 15, 2013

SUBJECT: Investment Portfolio for January 2013

RECOMMENDATION:

Staff recommends that the Finance Subcommittee accepts a status report on the City's investment portfolio as of January 31, 2013.

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended action. As of January 31, 2013, the City's investment portfolio totaled \$66.0 million (book value).

DISCUSSION:

Since the last update of the October 2012 portfolio, the City's investment portfolio has increase \$7.2 million in book value due to a \$0.5 million net decrease in investments (purchases less redemptions), and offset by a \$7.8 million increase in investment in the Local Agency Investment Fund (LAIF). Outside of the normal fluctuations in the investment in LAIF due to changes in investments and normal operating activities (warrant and payroll coverage, workers compensation, etc.), \$11.8 million in Property and Sales tax was received during the November to January timeframe.

Activity

Purchases in the November 1, 2012 – January 31, 2013 timeframe are as follows:

| Security | Coupon | Purchase Date | Maturity Date | Amount | YTM |
|---|--------|---------------|---------------|--------------------|---------------|
| Certificate of Deposit | 1.200% | 12/21/2012 | 12/21/2017 | \$245,000 | 1.200% |
| Certificate of Deposit | 1.000% | 12/26/2012 | 12/26/2017 | 245,000 | 1.000% |
| Toyota Motor Credit | 1.250% | 12/21/2012 | 10/5/2017 | 1,000,000 | 1.140% |
| Union Bank | 3.000% | 12/21/2012 | 6/6/2016 | 1,000,000 | 1.240% |
| Total Purchases (Nov 1, 2012 - Jan 31, 2013) | | | | \$2,490,000 | 1.172% |

Redemptions in the November 1, 2012 – January 31, 2013 timeframe are as follows:

| Security | Coupon | Redemption Date | Maturity Date | Amount | YTM |
|--|--------|-----------------|---------------|--------------------|---------------|
| Matured: Federal Home Loan Bank | 1.950% | 11/15/2012 | 11/15/2012 | \$1,000,000 | 1.840% |
| Federal National Mortgage Association (Callable) | 0.700% | 12/18/2012 | 9/18/2015 | 2,000,000 | 0.700% |
| Total Matured/Called (Nov 1, 2012 - Jan 31, 2013) | | | | \$3,000,000 | 1.080% |

December was active in purchases as yields on Certificates of Deposit (CD) and high-grade corporate securities were higher than government-backed securities. Purchases included two CDs, each within the \$250,000 Federal Deposit Insurance Corporation insured amount, and two high-grade corporate securities. Offsetting these purchases were the maturity of one of the higher coupon government investments and the early redemption (call) of a security purchased just six months prior.

Previously the Finance Subcommittee authorized a temporary policy suspension until December 2012 in order to allow over 50% of the portfolio to be invested in LAIF. Due to the low interest rate environment in government securities, investment in LAIF has been an attractive short-term option. The current LAIF balance is 51.5% of the portfolio. An extension of authorization to exceed the 50% limitation until December 2013 is currently being requested.

Attachment: Investment Portfolio as of January 31, 2013

**City of Manhattan Beach
Investment Portfolio Summary
As of January 31, 2013**

| PORTFOLIO PROFILE | Jan 31, 2013 | Dec 31, 2012 | Nov 30, 2012 | Oct 31, 2012 | Sep 30, 2012 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Book Value (Excluding Trust Funds) | \$66,039,556 | \$62,739,556 | \$57,878,152 | \$58,831,512 | \$61,131,002 |
| Increase/(Decrease) from Prior Period | 3,300,000 | 4,861,404 | (953,360) | (2,299,490) | (2,929,540) |
| Percentage Change | 5.3% | 8.4% | (1.6%) | (3.8%) | (4.57%) |
| Average Yield to Maturity (365 Days) | 0.855% | 0.896% | 0.921% | 0.944% | 1.046% |
| Increase/(Decrease) from Prior Period | (0.042%) | (0.025%) | (0.023%) | (0.102%) | (0.041%) |

PORTFOLIO ALLOCATIONS

| By Security | Value (Par) | Percent | Par YTM | Time Horizon | Percent |
|-------------------------|---------------------|----------------|----------------|---------------------|----------------|
| LAI* | \$33,600,000 | 51.5% | 0.300% | Next 12 months | 56% |
| Certificates of Deposit | 4,655,000 | 7.1% | 1.175% | Months 13-24 | 12% |
| Medium Term Notes | 8,000,000 | 12.3% | 1.267% | Months 25-36 | 8% |
| Federal Agencies | 19,000,000 | 29.1% | 1.558% | Months 37-48 | 18% |
| Total | \$65,255,000 | 100.0% | 0.847% | Months 49-60 | 6% |
| | | | | Total | 100.0% |

*LAI YTM as of January 31, 2013

RECENT ACTIVITY

| Security | Date of Activity | Maturity Date | Purchase (Par) | Maturing/Call | YTM |
|---------------------------------------|-------------------------|----------------------|-----------------------|----------------------|---------------|
| National Australia Bank - 1.6% Coupon | 10/24/2012 | 8/7/2015 | \$500,000 | | 0.880% |
| Wells Fargo - 2.625% Coupon | 10/24/2012 | 12/15/2016 | 500,000 | | 1.256% |
| Certificate of Deposit - 0.7% Coupon | 10/26/2012 | 10/26/2014 | 245,000 | | 0.700% |
| Certificate of Deposit - 1.2% Coupon | 12/21/2012 | 12/21/2017 | 245,000 | | 1.200% |
| Certificate of Deposit - 1.0% Coupon | 12/26/2012 | 12/26/2017 | 245,000 | | 1.000% |
| Toyota Motor Credit - 1.25% Coupon | 12/21/2012 | 10/5/2017 | 1,000,000 | | 1.140% |
| Union Bank - 3% Coupon | 12/21/2012 | 6/6/2016 | 1,000,000 | | 1.240% |
| Total Purchases | | | \$3,735,000 | | 1.113% |
| Called: FFCB - 0.77% Coupon | 10/3/2012 | 2/1/2016 | | \$2,000,000 | 0.798% |
| Called: FFCB - 0.69% Coupon | 10/5/2012 | 10/30/2015 | | 2,000,000 | 0.720% |
| Called: FHILB - 1.00% Coupon | 10/9/2012 | 1/3/2017 | | 2,000,000 | 1.000% |
| Matured: GE Cap - 5.25% Coupon | 10/19/2012 | 10/19/2012 | | 2,000,000 | 3.950% |
| Matured: FHILB - 1.95% Coupon | 11/15/2012 | 11/15/2012 | | 1,000,000 | 1.840% |
| Called: FNMA - 0.7% Coupon | 12/18/2012 | 9/18/2015 | | 2,000,000 | 0.700% |
| Total Maturing/Calls | | | | \$11,000,000 | 1.471% |

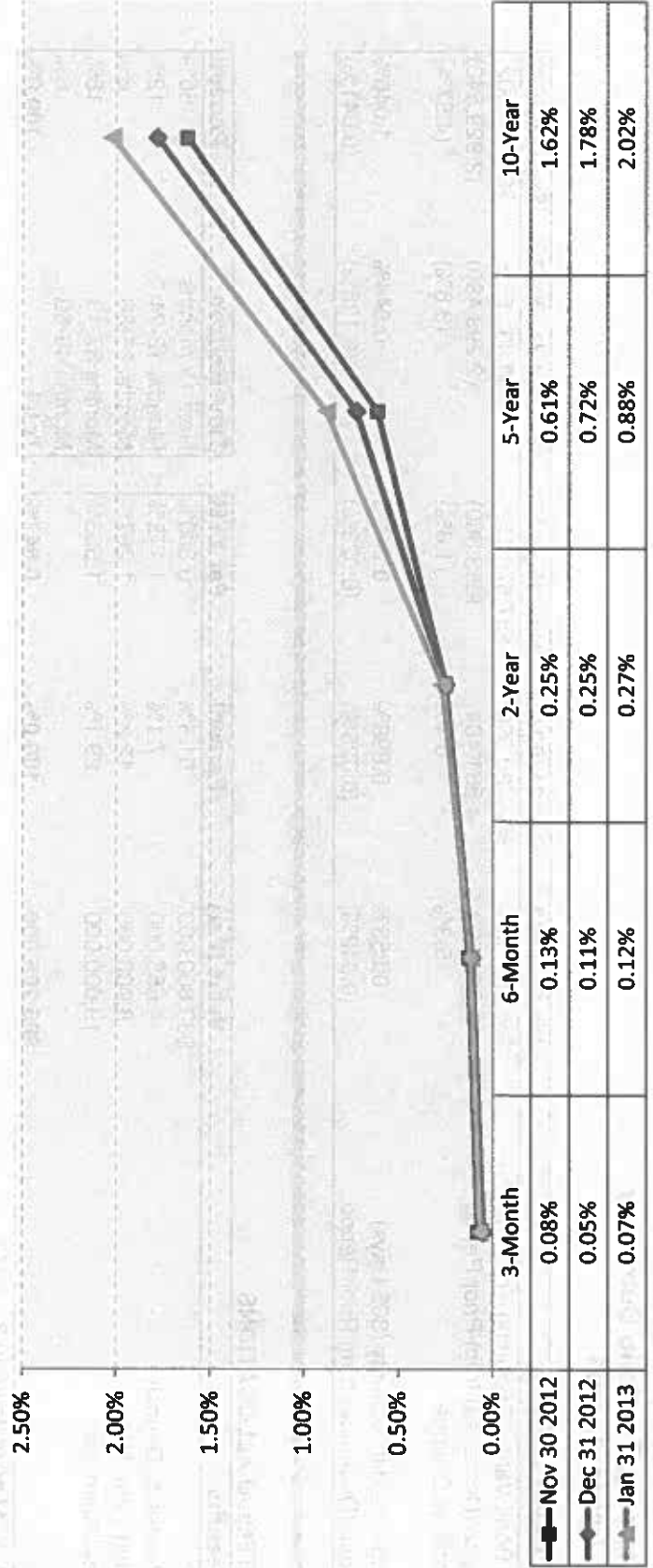
**City of Manhattan Beach
Investment Portfolio Summary
As of January 31, 2013**

| PORTFOLIO FUNDS HELD IN TRUST | Value |
|--|--------------------|
| Police/Fire Debt Service Reserve Fund | \$817,075 |
| Metlox Escrow | - |
| Marine Avenue | 21,180 |
| RCC Facility | 0 |
| Pension Bond | 16 |
| Water/Wastewater Debt Srv Reserve Fund | 0 |
| Water/Wastewater Escrow | (0) |
| Metlox & Water/Wastewater Refunding | 4 |
| UUAD Assessment Funds | 1,359,648 |
| Total Funds Held in Trust | \$2,197,922 |

As of January 31, 2013

US Treasuries Yield Curve

www.treas.gov



CITY OF MANHATTAN BEACH
Portfolio Maturity Structure
January 2013 through December 2017

HELD TO MATURITY
Rolling 60 Months

| Month | Maturity | Yield | Investment | Call | Amount | Month | Maturity | Yield | Investment | Call | Amount | Month | Maturity | Yield | Investment | Call | Amount |
|------------------------------------|----------|-------|------------|------|--------|--------|----------|-------|------------|-------|--------|--------|----------|-------|------------|------|--------|
| Jan 13 | | | | | | Jan 14 | | | | | | Jan 15 | | | | | |
| Feb 13 | | | | | | Feb 14 | | | | | | Feb 15 | 2/13/15 | 1.12% | MTN | nc | \$1.0M |
| Mar 13 | | | | | | Mar 14 | 9/29/14 | 1.15% | CD | nc | \$0.2M | Mar 15 | 3/4/15 | 2.18% | FCCB | nc | \$2.0M |
| Apr 13 | | | | | | Apr 14 | 3/31/14 | 1.15% | CD | nc | \$0.2M | Apr 15 | 3/18/15 | 1.75% | MTN | nc | \$1.0M |
| May 13 | | | | | | May 14 | | | | | | May 15 | | | | | |
| Jun 13 | | | | | | Jun 14 | | | | | | Jun 15 | 6/1/15 | 0.60% | CD | nc | \$0.2M |
| Jul 13 | 7/8/13 | 1.88% | FCCB | nc | \$1.0M | Jul 14 | 7/28/14 | 1.58% | FHLMC | nc | \$2.0M | Jul 15 | 7/24/15 | 1.00% | CD | nc | \$0.2M |
| Aug 13 | | | | | | Aug 14 | | | | | | Aug 15 | 8/7/15 | 0.88% | MTN | nc | \$0.5M |
| Sep 13 | | | | | | Sep 14 | | | | | | Sep 15 | 8/10/15 | 1.10% | CD | nc | \$0.2M |
| Oct 13 | 10/16/13 | 2.03% | FHLB | nc | \$2.0M | Oct 14 | 10/24/14 | 0.75% | CD | nc | \$0.2M | Oct 15 | 10/23/15 | 1.73% | CD | nc | \$0.2M |
| Nov 13 | | | | | | Nov 14 | 11/13/14 | 2.33% | FHLMC | nc | \$2.0M | Nov 15 | | | | | |
| Dec 13 | | | | | | Dec 14 | 12/4/14 | 0.50% | FNMA | 6A/13 | \$1.0M | Dec 15 | | | | | |
| Total By Year (excl LAIF) | | | | | \$3.0M | | | | | | \$6.0M | | | | | | \$5.5M |
| % of Total Securities (excl LAIF) | | | | | 9% | | | | | | 25% | | | | | | 17% |
| % of Total Investments (incl LAIF) | | | | | 56% | | | | | | 12% | | | | | | 6% |

| | | |
|-------------------|------|---------|
| Total Securities | 49% | \$31.7M |
| LAIF | 51% | \$33.8M |
| Total Investments | 100% | \$65.5M |

Shaded rows indicate months with significant cash inflows.

City of Manhattan Beach Investment Policy Compliance Chart

As of January 31, 2013

| Instrument | Par Value | % of Total | Dollar Compliance | | Percentage Compliance | | Term Compliance | |
|--|---------------------|---------------|---------------------|------------|-----------------------|------------|-----------------|------------|
| | | | Limit | Compliant? | Limit | Compliant? | Limit | Compliant? |
| Local Agency Investment Fund (LAIF) | \$33,000,000 | 51.5% | \$40,000,000 | Yes | 50.0% | No | | |
| Certificates of Deposit | | | | | | | | |
| Ally Bank | \$245,000 | 0.4% | \$1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| American Express Centurion Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Bank of Manhattan | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Bank Hapoalim - NJ | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Bank of Holland | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Bremer Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| BMW Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Cit Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Discover Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Everbank Jacksonville FL | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Flushing Savings Bank NY | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| GE Capital Financial Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Goldman Sachs Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Merrick Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Safra National Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Sallie Mae | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Sovereign Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| State Bank of India - NY | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Webster Bank | 245,000 | 0.4% | 1,000,000 | Yes | 5.0% | Yes | 5 Years | Yes |
| Total Certificate of Deposit | \$4,655,000 | 7.1% | | | 20.0% | Yes | | |
| Medium Term (Corporate) Notes | | | | | | | | |
| Bankshire Hathaway | 1,000,000 | 1.5% | | | 5.0% | Yes | 5 Years | Yes |
| Commonwealth Bank Australia | 1,000,000 | 1.5% | | | 5.0% | Yes | 5 Years | Yes |
| General Electric Cap Corp | 2,000,000 | 3.1% | | | 5.0% | Yes | 5 Years | Yes |
| National Australia Bank | 500,000 | 0.8% | | | 5.0% | Yes | 5 Years | Yes |
| Toyota Motor Credit | 1,000,000 | 1.5% | | | 5.0% | Yes | 5 Years | Yes |
| Union Bank | 1,000,000 | 1.5% | | | 5.0% | Yes | 5 Years | Yes |
| Wells Fargo & Company | 1,500,000 | 2.3% | | | 5.0% | Yes | 5 Years | Yes |
| Total Medium Term Notes | \$8,000,000 | 12.3% | | | 20.0% | Yes | | |
| Federal Agencies | | | | | | | | |
| Federal Home Loan Bank (FHLB) | \$3,000,000 | 4.6% | | | 33.3% | Yes | 5 Years | Yes |
| Federal Farm Credit (FFCB) | 5,000,000 | 7.7% | | | 33.3% | Yes | 5 Years | Yes |
| Fannie Mae (FNMA) | 7,000,000 | 10.7% | | | 33.3% | Yes | 5 Years | Yes |
| Freddie Mac (FHLMC) | 4,000,000 | 6.1% | | | 33.3% | Yes | 5 Years | Yes |
| Total Federal Agencies | \$19,000,000 | 29.1% | | | 60.0% | Yes | 5 Years | Yes |
| Total Portfolio | \$65,255,000 | 100.0% | | | | | | |

Approved by the Finance Subcommittee for the temporary policy suspension to allow over 50% of the portfolio to be invested in LAIF and for the purchase of Medium Term Notes with maturities up to five years, both until December 2012.