



Agenda Item #: \_\_\_\_\_

# 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:** June 24, 2014

**SUBJECT:** Investment Portfolio for May 2014

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### **RECOMMENDATION:**

Staff recommends that the Finance Subcommittee accepts a status report on the City's investment portfolio as of May 31, 2014.

### **FISCAL IMPLICATION:**

There are no fiscal implications associated with the recommended action. As of May 31, 2014, the City's investment portfolio totaled \$86.6 million in book value (\$86.2 million par value).

### **DISCUSSION:**

Since the last update of the January 2014 portfolio, the City's investment portfolio has increased approximately \$11.9 million in par value due to a \$6.7 million net increase in investments (certificates of deposit, medium-term notes, and federal agency securities) and a \$5.2 million increase in investment in the Local Agency Investment Fund (LAIF), primarily from property and sales tax receipts received.

### **Activity**

The following purchase and redemption activity took place during the February 1, 2014 through May 31, 2014 timeframe:

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<b>Security Purchases</b>	<b>Coupon</b>	<b>Purchase Date</b>	<b>Maturity Date</b>	<b>Amount (Par)</b>	<b>YTM</b>
Federal Farm Credit Bank	1.340%	2/13/2014	12/29/2017	\$2,000,000	1.208%
Certificate of Deposit	0.800%	2/14/2014	2/14/2017	245,000	0.800%
Medium Term Note (Callable)	1.200%	2/18/2014	10/15/2017	1,000,000	1.350%
Certificate of Deposit - 0.75% Coupon	0.750%	2/19/2014	2/21/2017	245,000	0.750%
Certificate of Deposit - 1.3% Coupon	1.300%	2/20/2014	2/20/2018	211,000	1.300%
Certificate of Deposit - 1.15% Coupon	1.150%	2/21/2014	11/21/2017	245,000	1.150%
Certificate of Deposit - 1.3% Coupon	1.300%	2/24/2014	2/26/2018	245,000	1.300%
Tennessee Valley Authority (federal agency)	1.750%	5/29/2014	10/15/2018	2,000,000	1.395%
Federal National Mortgage Association	1.875%	5/29/2014	2/19/2019	1,000,000	1.478%
Federal Farm Credit Bank	1.650%	5/29/2014	5/15/2019	2,000,000	1.542%
<b>Total Purchases Feb 1 - May 31, 2014</b>				<b>\$9,191,000</b>	<b>1.346%</b>

<b>Security Redemptions</b>	<b>Coupon</b>	<b>Redemption Date</b>	<b>Maturity Date</b>	<b>Amount</b>	<b>YTM</b>
Called: Federal National Mortgage Association	1.000%	2/28/2014	11/28/2016	\$2,000,000	1.063%
Matured: Certificate of Deposit	1.150%	3/28/2014	3/28/2014	245,000	1.150%
Matured: Certificate of Deposit	1.150%	3/31/2014	3/31/2014	245,000	1.150%
<b>Total Matured/Called Feb 1 - May 31, 2014</b>				<b>\$2,490,000</b>	<b>1.080%</b>

From the February through May timeframe, yields on securities have remained steady when looking at a five-year non-callable federal security. The focus continues to be on laddering the portfolio, ensuring a diverse mix of investment types and maturities dates that support the operating structure of the City. Several purchases were made to maintain diversity in the portfolio, and included: one corporate (medium-term) note for \$1 million, four government securities totaling \$7 million, and five certificates of deposit, all within the Federal Deposit Insurance Corporation insurable amount, totaling \$1.2 million. During the timeframe, \$2.5 million of government securities and certificates of deposit were redeemed.

Since yields are not expected to increase significantly in the near-future, efforts continue to be made to ensure the portfolio is well-balanced for the safety of principal by investing in high-grade securities that are diversified in origin and maturity date.

Attachment: Investment Portfolio as of May 31, 2014

**City of Manhattan Beach**  
**Investment Portfolio Summary**  
**As of May 31, 2014**

PORTFOLIO PROFILE	May 31, 2014	Apr 30, 2014	Mar 31, 2014	Feb 28, 2014	Jan 31, 2014
Total Book Value (Excluding Trust Funds)	\$86,638,308	\$81,076,728	\$73,476,728	\$75,466,728	\$74,666,498
Increase/(Decrease) from Prior Period	5,561,580	7,600,000	(1,990,000)	800,230	7,000,000
Percentage Change	6.9%	10.3%	(2.6%)	1.1%	10.34%
Average Yield to Maturity (365 Days)	0.810%	0.775%	0.832%	0.822%	0.800%
Increase/(Decrease) from Prior Period	0.035%	(0.057%)	0.010%	0.022%	(0.066%)

**PORTFOLIO ALLOCATIONS**

By Security	Value (Par)	Percent	Par YTM	Time Horizon	Percent
LAI*	\$41,650,000	48.3%	0.228%	Next 12 months	60%
Certificates of Deposit	8,541,000	9.9%	0.992%	Months 13-24	7%
Medium Term Notes	12,000,000	13.9%	1.212%	Months 25-36	11%
Federal Agencies	24,000,000	27.8%	1.542%	Months 37-48	9%
<b>Total</b>	<b>\$86,191,000</b>	<b>100.0%</b>	<b>0.807%</b>	Months 49-60	12%
				<b>Total</b>	<b>100.0%</b>

\*LAI\* YTM as of May 31, 2014

**RECENT ACTIVITY**

Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
FFCB - 1.34% Coupon	2/13/2014	12/29/2017	\$2,000,000		1.208%
Certificate of Deposit - 0.8% Coupon	2/14/2014	2/14/2017	245,000		0.800%
Medium Term Note - 1.2% Coupon (Callable)	2/18/2014	10/15/2017	1,000,000		1.350%
Certificate of Deposit - 0.75% Coupon	2/19/2014	2/21/2017	245,000		0.750%
Certificate of Deposit - 1.3% Coupon	2/20/2014	2/20/2018	211,000		1.300%
Certificate of Deposit - 1.15% Coupon	2/21/2014	11/21/2017	245,000		1.150%
Certificate of Deposit - 1.3% Coupon	2/24/2014	2/26/2018	245,000		1.300%
TVA - 1.75% Coupon	5/29/2014	10/15/2018	2,000,000		1.395%
FNMA - 1.875% Coupon	5/29/2014	2/19/2019	1,000,000		1.478%
FFCB - 1.65% Coupon	5/29/2014	5/15/2019	2,000,000		1.542%
<b>Total Purchases</b>			<b>\$9,191,000</b>		<b>1.346%</b>
Called: FNMA - 1.0% Coupon	2/28/2014	11/28/2016		\$2,000,000	1.063%
Matured: Certificate of Deposit - 1.15%	3/28/2014	3/28/2014		245,000	1.150%
Matured: Certificate of Deposit - 1.15%	3/31/2014	3/31/2014		245,000	1.150%
<b>Total Maturing/Calls</b>				<b>\$2,490,000</b>	<b>1.080%</b>

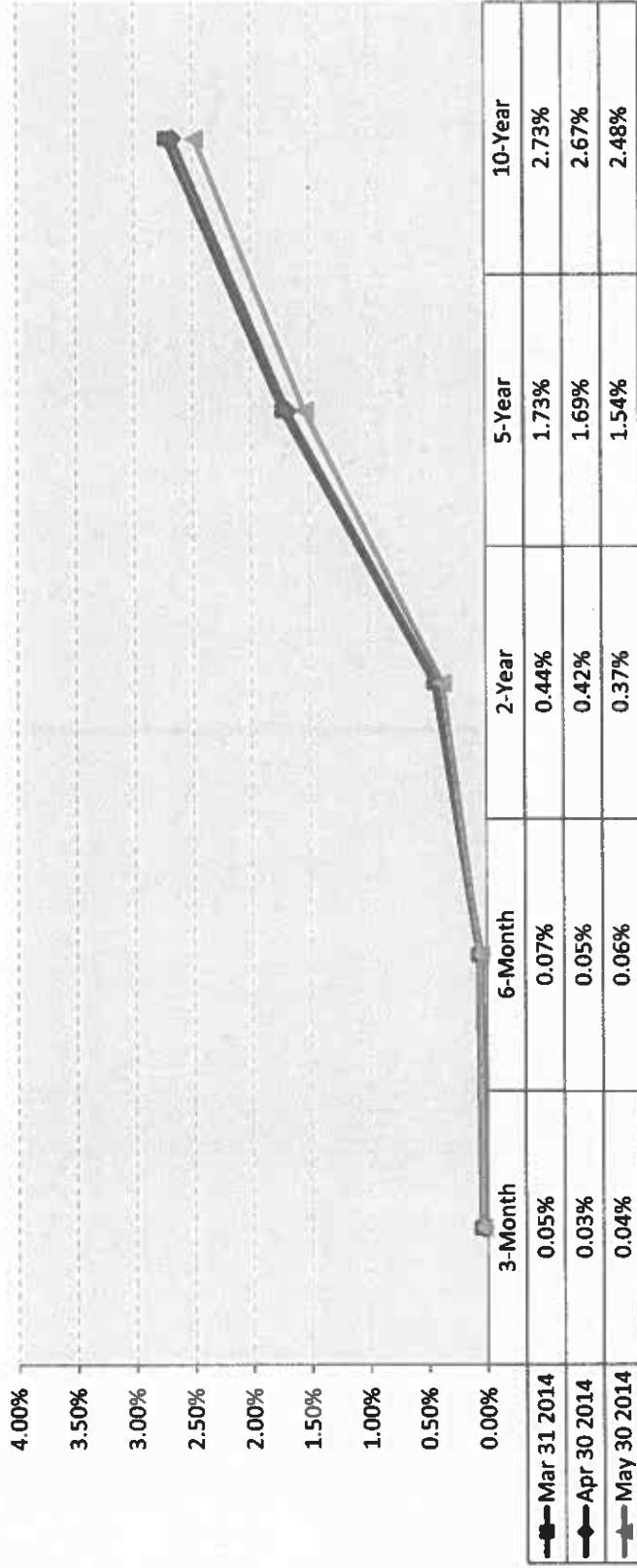
**City of Manhattan Beach  
Investment Portfolio Summary  
As of May 31, 2014**

PORTFOLIO FUNDS HELD IN TRUST	Value
Police/Fire Refund Delivery Cost	\$3
Marine Avenue	29,991
Pension Bond	11
Metlox & Water/Wastewater Refunding	14
UJAD Assessment Funds	1,359,648
<b>Total Funds Held in Trust</b>	<b>\$1,389,666</b>

As of May 31, 2014

**US Treasuries Yield Curve**

[www.treas.gov](http://www.treas.gov)



**CITY OF MANHATTAN BEACH**  
**Portfolio Maturity Structure**  
*June 2014 through May 2019*

**HELD TO MATURITY**  
**Rolling 60 Months**

Mth	Mat.	YTM	Inv	Call	Amnt	Mth	Mat.	YTM	Inv	Call	Amnt	Mth	Mat.	YTM	Inv	Call	Amnt
Jun 14	7/28/14	1.8%	FHLMC	nc	\$2.0M	Jun 16	8/1/15	0.80%	CD	nc	\$0.2M	Jun 17	6/27/18	1.45%	FHLB	nc	\$1.0M
Jul 14	7/28/14	1.8%	FHLMC	nc	\$2.0M	Jul 16	7/24/15	1.00%	CD	nc	\$0.2M	Jul 17	7/27/17	1.10%	CD	nc	\$0.2M
Aug 14						Aug 16	8/7/15	0.88%	MTN	nc	\$0.5M	Aug 17	8/29/17	1.05%	CD	2/28/13	\$0.2M
Sep 14						Sep 16	9/25/15	0.75%	CD	nc	\$0.2M	Sep 17					
							9/25/15	0.55%	CD	nc	\$0.2M						
							9/28/15	0.65%	CD	nc	\$0.2M						
							9/28/15	0.65%	CD	nc	\$0.2M						
							9/30/15	0.60%	CD	nc	\$0.2M						
Oct 14	10/24/14	0.8%	CD	nc	\$0.2M	Oct 16	10/28/15	1.73%	CD	nc	\$0.2M	Oct 17	10/5/17	1.14%	MTN	12/21/12	\$1.0M
Nov 14	11/19/14	0.7%	CD	nc	\$0.2M	Nov 16	11/22/16	0.75%	CD	nc	\$0.2M	Nov 17	10/15/17	1.35%	MTN	MMW: 10	\$1.0M
	11/20/14	1.5%	FNMA	nc	\$2.0M	Nov 16	11/28/16	0.80%	CD	nc	\$0.2M	Nov 17	11/21/17	1.15%	CD	nc	\$0.2M
							11/28/16	0.85%	CD	nc	\$0.2M						
Dec 14						Dec 16	12/7/15	0.55%	MTN	MMW: 5	\$1.0M	Dec 17	12/21/17	1.20%	CD	nc	\$0.2M
Jan 15						Jan 17	1/6/17	2.05%	CD	nc	\$0.2M	Jan 18					
							1/31/17	1.11%	MTN	nc	\$1.0M						
Feb 15	2/13/15	1.1%	MTN	nc	\$1.0M	Feb 17	2/14/17	0.80%	CD	nc	\$0.2M	Feb 18	2/20/18	1.30%	CD	nc	\$0.2M
Mar 15	3/4/15	2.2%	FFCB	nc	\$2.0M	Mar 17	3/28/17	0.75%	CD	nc	\$0.2M	Mar 18	3/28/18	1.00%	CD	nc	\$0.2M
	3/16/15	1.8%	MTN	nc	\$1.0M	Apr 17	4/28/17	0.75%	CD	nc	\$0.2M	Apr 18	4/2/18	1.13%	FHLMC	4/2/14	\$2.0M
Apr 15						Apr 18						Apr 18	4/4/18	0.95%	CD	nc	\$0.2M
May 15						May 16	5/8/16	1.35%	MTN	nc	\$2.0M	May 18					
Total By Year (excl LAIF)					\$10.48m						\$9.69m						\$8.17m
% of Total Securities (excl LAIF)					24%						22%						16%
% of Total Investments (incl LAIF)					60%						11%						9%

Total Securities	52%	\$44.5M
LAIF	48%	\$41.7M
Total Investments	100%	\$86.2M

Shaded rows indicate months with significant cash inflows.

**City of Manhattan Beach  
Investment Policy Compliance Chart**  
As of May 31, 2014

Instrument	Par Value	% of Total	Dollar Compliance		Percentage Compliance		Term Compliance
			Limit	Compliant?	Limit	Compliant?	
<b>Local Agency Investment Fund (LAIF)</b>	<b>\$41,650,000</b>	<b>48.3%</b>		Yes			
<b>Certificate of Deposit</b>							
Discover Bank (5649)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
First Merit Bank (13875)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
First Bank NC (15019)	\$245,000	0.3%	\$1,000,000	Yes	5.0%	Yes	5 Years
Rushling SD NY (16049)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Chubbings Deposit Bk (16852)	211,000	0.2%	1,000,000	Yes	5.0%	Yes	5 Years
Key Bank NA (17634)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Webster Bank (18221)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Compass Bank (18048)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Bank of Manhattan (23181)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Boston Private Bank & Trust (24811)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Saira National Bank (26876)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Georgia Bank & Trust (27574)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Fox Chase Bank (28888)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Pyramax Bank (29120)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Sovereign Bank Natl Assn (29656)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Third Fed Svcs Bk (30012)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Washington Federal (30570)	30570	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Goldman Sachs Bk (33124)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Bank of NC (33527)	33527	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
State Bank of India NY (33682)	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Bank Hispania NY (33686)	33686	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
GE Cap Financial Inc (GE Capital Bank - 33778)	33778	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Wheaton Bk & Trust (33903)	34241	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
First Sentry Bank (34241)	34241	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Barrington Bank & Trust (34395)	34395	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Memph Bank (34519)	34519	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
EverBank (34775)	34775	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Bank of Holland (34882)	34882	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
BMW Bank North America (35141)	35141	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Comerity Capital (57570)	57570	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Ally Bank (57803)	57803	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Salle Mae Bank (58177)	58177	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Marin Business Bank (58267)	58267	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
USNY Bank (58541)	58541	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
Crossfirst Bank (58648)	58648	0.3%	1,000,000	Yes	5.0%	Yes	5 Years
<b>Total Certificate of Deposit (35)</b>	<b>\$8,541,000</b>	<b>9.9%</b>		Yes	<b>20.0%</b>	<b>Yes</b>	
<b>Medium Term (Corporate) Notes</b>							
Berkshire Hathaway	\$1,000,000	1.2%		Yes	5.0%	Yes	5 Years
Commonwealth Bank Australia	1,000,000	1.2%		Yes	5.0%	Yes	5 Years
Costco Companies	2,000,000	2.3%		Yes	5.0%	Yes	5 Years
GE Cap Corp	500,000	0.6%		Yes	5.0%	Yes	5 Years
National Australia Bank	1,000,000	1.2%		Yes	5.0%	Yes	5 Years
Oracle	1,000,000	1.2%		Yes	5.0%	Yes	5 Years
Pfizer Inc	1,000,000	1.2%		Yes	5.0%	Yes	5 Years
Toyota Motor Credit	1,000,000	1.2%		Yes	5.0%	Yes	5 Years
Union Bank	1,000,000	1.2%		Yes	5.0%	Yes	5 Years
Wells Fargo & Co	1,500,000	1.7%		Yes	5.0%	Yes	5 Years
3M	1,000,000	1.2%		Yes	5.0%	Yes	5 Years
<b>Total Medium Term Notes (11)</b>	<b>\$12,000,000</b>	<b>13.8%</b>		Yes	<b>20.0%</b>	<b>Yes</b>	
<b>Federal Agencies</b>							
Federal Home Loan Bank (FHLB)	\$5,000,000	5.8%		Yes	33.3%	Yes	5 Years
Federal Farm Credit (FFCB)	6,000,000	7.0%		Yes	33.3%	Yes	5 Years
Fannie Mae (FNMA)	5,000,000	5.8%		Yes	33.3%	Yes	5 Years
Fredco Mac (FHLMC)	6,000,000	7.0%		Yes	33.3%	Yes	5 Years
Term Valley Authority (TVA)	2,000,000	2.3%		Yes	33.3%	Yes	5 Years
<b>Total Federal Agencies (5)</b>	<b>\$24,000,000</b>	<b>27.6%</b>		Yes	<b>60.0%</b>	<b>Yes</b>	
<b>Total Portfolio</b>	<b>\$85,191,000</b>	<b>100.0%</b>					