



# Staff Report

## City of Manhattan Beach

**TO:** Members of the Finance Subcommittee

**THROUGH:** Bruce Moe, Finance Director

**FROM:** Henry Mitzner, Controller  
Libby Bretthauer, Financial Analyst

**DATE:** July 1, 2015

**SUBJECT:** Investment Portfolio for May 2015

**RECOMMENDATION:**

Staff recommends that the Finance Subcommittee accepts the status report on the City’s investment portfolio as of May 31, 2015.

**FISCAL IMPLICATION:**

There are no fiscal implications associated with the recommended action. As of May 31, 2015, the City’s investment portfolio totaled \$94.5 million in book value (\$94.2 million par value).

**DISCUSSION:**

Since the last update of the February 2015 portfolio, the City’s investment portfolio has increased \$12.0 million in par value. Property taxes and annual business license renewals received in April and May primarily contributed to the increase in portfolio value.

**Activity**

The following purchase and redemption activity took place during the March 1 through May 31, 2015 timeframe:

Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
FHLMC - 0.8% Coupon	5/15/2015	8/8/2017	3,000,000		0.736%
MSFT - 4.2% Coupon	5/19/2015	6/1/2019	1,000,000		1.783%
FNMA - 1.2% Coupon	5/27/2015	8/27/2018	2,000,000		1.208%
<b>Total Purchases</b>			<b>\$6,000,000</b>		<b>1.068%</b>
Matured: FFCB - 4.55% Coupon	3/4/2015	3/4/2015		2,000,000	1.750%
Matured: MTN - 1.95% Coupon	3/16/2015	3/16/2015		1,000,000	2.177%
Called: FHLMC - 1.25% Coupon	3/26/2015	12/26/2017		2,000,000	1.250%
Called: FHLMC - 1.2% Coupon	5/21/2015	8/21/2017		2,000,000	1.200%
<b>Total Maturing/Calls</b>				<b>\$7,000,000</b>	<b>1.511%</b>

*FHLB = Federal Home Loan Bank; FNMA = Federal National Mortgage Association (Fannie Mae); FFCB = Federal Farm Credit Bank; FHLMC = Federal Home Loan Mortgage Corporation (Freddie Mac)*

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During this period, yields on securities have not shown dramatic improvement from the prior months. Three government securities totaling \$6.0 million were purchased to maintain diversity in the portfolio. In addition to two maturing securities, two other securities were called, for a total of \$7.0 million in redeemed investments.

Since yields are not expected to increase significantly in the near-future, efforts are 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, 2015

**City of Manhattan Beach**  
**Investment Portfolio Summary**  
*As of May 31, 2015*

<b>PORTFOLIO PROFILE</b>	<b>May 31, 2015</b>	<b>Apr 30, 2015</b>	<b>Mar 31, 2015</b>	<b>Feb 28, 2015</b>	<b>Jan 31, 2015</b>
Total Book Value (Excluding Trust Funds)	\$94,547,121	\$89,438,929	\$77,438,929	\$82,454,235	\$83,902,985
Increase/(Decrease) from Prior Period	5,108,192	12,000,000	(5,015,306)	(1,448,750)	2,800,000
Percentage Change	5.7%	15.5%	(6.1%)	(1.7%)	3.5%
Average Yield to Maturity (365 Days)	0.824%	0.818%	0.900%	0.940%	0.881%
Increase/(Decrease) from Prior Period	0.006%	(0.081%)	(0.041%)	0.060%	(0.023%)

**PORTFOLIO ALLOCATIONS**

<b>By Security</b>	<b>Value (Par)</b>	<b>Percent</b>	<b>Par YTM</b>	<b>Time Horizon</b>	<b>Percent</b>
LAIF*	\$39,150,000	41.56%	0.290%	Next 12 months	48%
Certificates of Deposit	8,051,000	8.5%	1.009%	Months 13-24	15%
Medium Term Notes	11,000,000	11.7%	1.228%	Months 25-36	17%
Federal Agencies	36,000,000	38.2%	1.237%	Months 37-48	15%
				Months 49-60	5%
<b>Total</b>	<b>\$94,201,000</b>	<b>100.0%</b>	<b>0.823%</b>	<b>Total</b>	<b>100.0%</b>

\*LAIF YTM as of May 31, 2015

**RECENT ACTIVITY**

<b>Security</b>	<b>Date of Activity</b>	<b>Maturity Date</b>	<b>Purchase (Par)</b>	<b>Maturing/Call</b>	<b>YTM</b>
FNMA - 1.75% Coupon	2/20/2015	11/26/2019	2,000,000		1.642%
FNMA - 1.875% Coupon	2/20/2015	9/18/2018	2,000,000		1.318%
FHLMC - 0.8% Coupon	5/15/2015	8/8/2017	3,000,000		0.736%
MSFT - 4.2% Coupon	5/19/2015	6/1/2019	1,000,000		1.783%
FNMA - 1.2% Coupon	5/27/2015	8/27/2018	2,000,000		1.208%
<b>Total Purchases</b>			<b>\$10,000,000</b>		<b>1.233%</b>
Matured: MTN - 1.25% Coupon	2/13/2015	2/13/2015		1,000,000	1.120%
Matured: FFCB - 4.55% Coupon	3/4/2015	3/4/2015		2,000,000	1.750%
Matured: MTN - 1.95% Coupon	3/16/2015	3/16/2015		1,000,000	2.177%
Called: FHLMC - 1.25% Coupon	3/26/2015	12/26/2017		2,000,000	1.250%
Called: FHLMC - 1.2% Coupon	5/21/2015	8/21/2017		2,000,000	1.200%
<b>Total Maturing/Calls</b>				<b>\$8,000,000</b>	<b>1.462%</b>

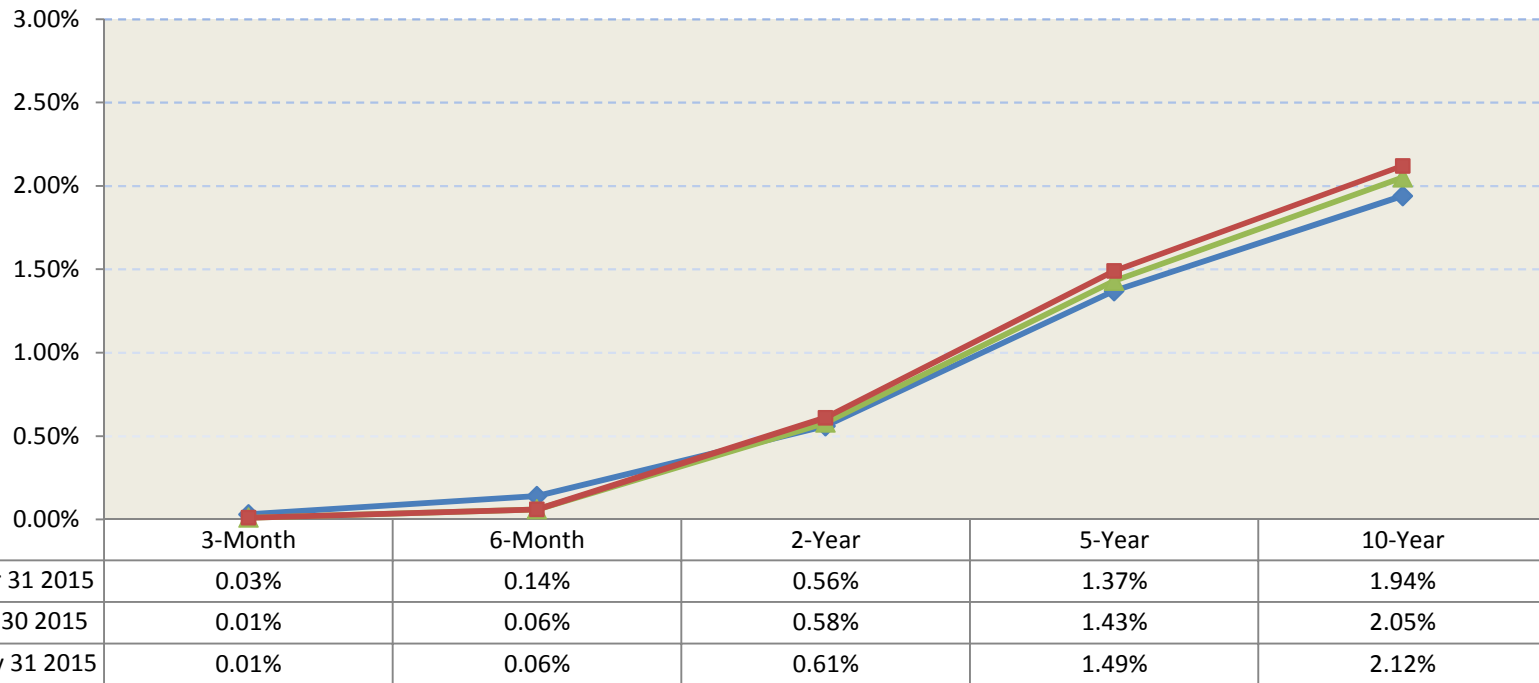
**City of Manhattan Beach**  
**Investment Portfolio Summary**  
*As of May 31, 2015*

PORTFOLIO FUNDS HELD IN TRUST	Value
Police/Fire Refund Delivery Cost	\$2
Marine Avenue	33,513
Metlox & Water/Wastewater Refunding	9
UUAD Assessment Funds	1,359,648
<b>Total Funds Held in Trust</b>	<b>\$1,393,172</b>

*As of May 31, 2015*

### US Treasuries Yield Curve

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



**CITY OF MANHATTAN BEACH**  
**Portfolio Maturity Structure**  
*June 2015 through May 2020*

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

Mth	Mat.	YTM	Inv	Call	Amt	Mth	Mat.	YTM	Inv	Call	Amt	Mth	Mat.	YTM	Inv	Call	Amt	Mth	Mat.	YTM	Inv	Call	Amt						
Jun 15	6/1/15	0.8%	CD	nc	\$0.2M	Jun 16	6/6/16	1.24%	MTN	nc	\$1.0M	Jun 17						Jun 18	6/27/18	1.45%	FHLB	9/27/13	\$2.0M	Jun 19	6/1/19	1.78%	MSFT	nc	\$1.0M
							6/2/16	0.75%	CD	nc	\$0.2M								6/15/18	1.73%	MTN	MW: 10	\$1.0M						
							6/10/16	1.23%	FHLB	nc	\$1.0M																		
Jul 15	7/24/15	1.0%	CD	nc	\$0.2M	Jul 16						Jul 17	7/27/17	1.10%	CD	nc	\$0.2M	Jul 18						Jul 19					
Aug 15	8/7/15	0.9%	MTN	nc	\$0.5M	Aug 16	8/29/16	0.90%	CD	nc	\$0.2M	Aug 17	8/8/17	0.74%	FHLMC	nc	\$3.0M	Aug 18	8/27/18	1.21%	FNMA	5/27/16	\$2.0M	Aug 19	8/1/19	1.79%	FHLMC	nc	\$2.0M
	8/10/15	1.1%	CD	nc	\$0.2M								8/29/17	1.05%	CD	2/28/13	\$0.2M												
Sep 15	9/25/15	0.8%	CD	nc	\$0.2M	Sep 16	9/28/16	1.18%	FNMA	nc	\$2.0M	Sep 17	9/19/17	1.18%	FHLB	nc	\$3.0M	Sep 18	9/18/18	1.32%	FNMA	nc	\$2.0M	Sep 19					
	9/25/15	0.6%	CD	nc	\$0.2M		9/29/16	0.78%	MTN	nc	\$1.0M		9/18/17	1.19%	FFCB	nc	\$2.0M												
	9/28/15	0.7%	CD	nc	\$0.2M																								
	9/28/15	0.7%	CD	nc	\$0.2M																								
	9/30/15	0.6%	CD	nc	\$0.2M																								
Oct 15	10/28/15	1.7%	CD	nc	\$0.2M	Oct 16	10/14/16	0.58%	FHLB	nc	\$2.0M	Oct 17	10/5/17	1.14%	MTN	12/21/12	\$1.0M	Oct 18	10/15/18	1.39%	TVA	nc	\$2.0M	Oct 19					
													10/15/17	1.35%	MTN	MW: 10	\$1.0M												
Nov 15						Nov 16	11/22/16	0.75%	CD	nc	\$0.2M	Nov 17	11/21/17	1.15%	CD	nc	\$0.2M	Nov 18	11/21/18	1.55%	FHLB	nc	\$1.0M	Nov 19	11/26/19	1.64%	FNMA	nc	\$2.0M
							11/28/16	0.80%	CD	nc	\$0.2M																		
							11/28/16	0.85%	CD	nc	\$0.2M																		
Dec 15	12/7/15	0.6%	MTN	MW: 5	\$1.0M	Dec 16	12/15/16	1.26%	MTN	nc	\$0.5M	Dec 17	12/21/17	1.20%	CD	nc	\$0.2M	Dec 18	12/14/18	1.78%	FHLB	nc	\$1.0M	Dec 19					
							12/29/16	2.10%	CD	nc	\$0.2M		12/26/17	1.00%	CD	nc	\$0.2M												
							12/15/16	0.75%	FFCB	nc	\$2.0M		12/29/17	1.21%	FFCB	nc	\$2.0M												
Jan 16						Jan 17	1/5/17	2.05%	CD	nc	\$0.2M	Jan 18						Jan 19						Jan 20					
							1/31/17	1.11%	MTN	nc	\$1.0M																		
Feb 16	2/29/16	0.7%	CD	nc	\$0.2M	Feb 17	2/14/17	0.80%	CD	nc	\$0.2M	Feb 18	2/20/18	1.30%	CD	nc	\$0.2M	Feb 19	2/19/19	1.48%	FNMA	nc	\$1.0M	Feb 20					
							2/15/17	1.60%	CD	nc	\$0.2M		2/26/18	1.30%	CD	nc	\$0.2M												
							2/21/17	0.75%	CD	nc	\$0.2M																		
Mar 16	3/21/16	1.2%	CD	nc	\$0.2M	Mar 17	3/28/17	0.75%	CD	nc	\$0.2M	Mar 18	3/28/18	1.00%	CD	nc	\$0.2M	Mar 19						Mar 20					
							3/28/17	0.75%	CD	nc	\$0.2M																		
Apr 16						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 19						Apr 20					
													4/4/18	0.95%	CD	nc	\$0.2M												
May 16	5/9/16	1.3%	MTN	nc	\$2.0M	May 17						May 18						May 19	5/15/19	1.54%	FFCB	nc	\$2.0M	May 20					
<b>Total By Year (excl LAIF)</b>					<b>\$6.20m</b>						<b>\$13.69m</b>						<b>\$16.17m</b>						<b>\$14.00m</b>						<b>\$5.00m</b>
<b>% of Total Securities (excl LAIF)</b>					<b>11%</b>						<b>25%</b>						<b>29%</b>						<b>25%</b>						<b>9%</b>
<b>% of Total Investments (incl LAIF)</b>					<b>48%</b>						<b>15%</b>						<b>17%</b>						<b>15%</b>						<b>5%</b>

Total Securities	58%	\$55.1M
LAIF	42%	\$39.2M
<b>Total Investments</b>	<b>100%</b>	<b>\$94.2M</b>

Shaded rows indicate months with significant cash inflows.

**City of Manhattan Beach**  
**Investment Policy Compliance Chart**

As of May 31, 2015

Instrument		% of Total	Dollar Compliance		Percentage Compliance		Term Compliance	
			Limit	Compliant?	Limit	Compliant?	Limit	Compliant?
<b>Local Agency Investment Fund (LAIF)</b>	<b>\$39,150,000</b>	<b>41.6%</b>	<b>\$50,000,000</b>	<b>Yes</b>				
					Temporary Suspension			
<b>Certificates of Deposit</b>								
Discover Bank (5649)	5649	\$245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
First Merit Bank (13675)	13675	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
First Bank NC (15019)	15019	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Flushing SB NY (16049)	16049	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Citizens Deposit Bk (16852)	16852	211,000	0.2%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Key Bank NA (17534)	17534	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Webster Bank (18221)	18221	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Compass Bank (19048)	19048	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Bank of Manhattan (23191)	23191	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Boston Private Bank & Trust (24811)	24811	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Safra National Bank (26876)	26876	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Georgia Bank & Trust (27574)	27574	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Fox Chase Bank (28888)	28888	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Pyramax Bank (29120)	29120	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Third Fed Svgs Bk (30012)	30012	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Washington Federal (30570)	30570	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Goldman Sachs Bk (33124)	33124	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Bank of NC (33527)	33527	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
State Bank of India NY (33682)	33682	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Bank Hapoalim NY (33686)	33686	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
GE Cap Financial Inc (GE Capital Bank - 33778)	33778	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Wheaton Bk & Trust (33803)	33803	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
First Sentry Bank (34241)	34241	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Barrington Bank & Trust (34395)	34395	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Merrick Bank (34519)	34519	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
EverBank (34775)	34775	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Bank of Holland (34862)	34862	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Comenity Capital (57570)	57570	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Ally Bank (57803)	57803	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Sallie Mae Bank (58177)	58177	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Marlin Business Bank (58267)	58267	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
USNY Bank (58541)	58541	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
Crossfirst Bank (58648)	58648	245,000	0.3%	1,000,000	Yes	5.0%	Yes	5 Years Yes
<b>Total Certificates of Deposit (33)</b>	<b>\$8,051,000</b>	<b>8.5%</b>				<b>20.0%</b>	<b>Yes</b>	
<b>Medium Term (Corporate) Notes</b>								
Berkshire Hathaway		\$1,000,000	1.1%			5.0%	Yes	5 Years Yes
Costco Companies		1,000,000	1.1%			5.0%	Yes	5 Years Yes
GE Cap Corp		2,000,000	2.1%			5.0%	Yes	5 Years Yes
National Australia Bank		500,000	0.5%			5.0%	Yes	5 Years Yes
Oracle		1,000,000	1.1%			5.0%	Yes	5 Years Yes
Pfizer Inc		1,000,000	1.1%			5.0%	Yes	5 Years Yes
Toyota Motor Credit		1,000,000	1.1%			5.0%	Yes	5 Years Yes
Union Bank		1,000,000	1.1%			5.0%	Yes	5 Years Yes
Wells Fargo & Co		500,000	0.5%			5.0%	Yes	5 Years Yes
3M		1,000,000	1.1%			5.0%	Yes	5 Years Yes
Microsoft		1,000,000	1.1%			5.0%	Yes	5 Years Yes
<b>Total Medium Term Notes (11)</b>	<b>\$11,000,000</b>	<b>11.7%</b>				<b>20.0%</b>	<b>Yes</b>	
<b>Federal Agencies</b>								
Federal Home Loan Bank (FHLB)		\$10,000,000	10.6%			33.3%	Yes	5 Years Yes
Federal Farm Credit (FFCB)		8,000,000	8.5%			33.3%	Yes	5 Years Yes
Fannie Mae (FNMA)		9,000,000	9.6%			33.3%	Yes	5 Years Yes
Freddie Mac (FHLMC)		7,000,000	7.4%			33.3%	Yes	5 Years Yes
Tenn Valley Authority (TVA)		2,000,000	2.1%			33.3%	Yes	5 Years Yes
<b>Total Federal Agencies (5)</b>	<b>\$36,000,000</b>	<b>38.2%</b>				<b>60.0%</b>	<b>Yes</b>	<b>5 Years Yes</b>
<b>Total Portfolio</b>	<b>\$94,201,000</b>	<b>100.0%</b>						