



Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

THROUGH: Bruce Moe, Finance Director *AM*

FROM: Henry Mitzner, Controller
Eden Serina, Budget Analyst *ES*

DATE: March 20, 2012

SUBJECT: Investment Portfolio for February 2012

RECOMMENDATION:

Staff recommends that the Finance Subcommittee accepts a status report on the City’s investment portfolio as of February 29, 2012.

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended action. As of February 29, 2012, the City’s investment portfolio totaled \$61.1 million (book value).

DISCUSSION:

Since the last update of the November 2011 portfolio, the City’s investment portfolio has increased \$8.4 million in book value due an \$11.8 million increase in investment in the Local Agency Investment Fund (LAIF), offset by a \$3.3 million decrease in total investments. The increase in LAIF is primarily due to the \$12.4 million of property tax receipts received in December through February, offset by fluctuations in security purchases and redemptions and normal operating activities (warrant, payroll coverage, etc.).

Activity

Purchases in the December 1, 2011 - February 29, 2012 timeframe are as follows:

Security	Coupon	Purchase Date	Maturity Date	Amount	YTM
Federal National Mortgage Association (Bullet)	1.250%	12/28/2011	9/28/2016	\$2,000,000	1.180%
Certificate of Deposit - GE Cap Financial	2.100%	12/29/2011	12/29/2016	245,000	2.100%
Certificate of Deposit - Goldman Sachs	2.050%	1/5/2012	1/5/2017	245,000	2.050%
Certificate of Deposit - Discover Bank	1.600%	2/15/2012	2/15/2017	245,000	1.600%
Total Purchases (Dec 1 - Feb 29)				\$2,735,000	1.378%

Redemptions in the December 1, 2011 – February 29, 2012 timeframe are as follows:

Security	Coupon	Call Date	Maturity Date	Amount	YTM
Wells Fargo TLGP (Bullet)	3.000%	n/a	12/9/2011	\$1,000,000	0.920%
Federal Home Loan Bank (Callable)	2.250%	12/13/2011	12/13/2016	1,000,000	2.250%
Federal Farm Credit Bank (Callable)	2.450%	12/28/2011	12/28/2015	3,000,000	2.450%
Federal Home Loan Bank (Callable)	1.375%	1/25/2012	3/7/2016	1,000,000	1.375%
Total Matured/Called (Dec 1 - Feb 29)				\$6,000,000	1.983%

There has not been much change in interest rates since our last update, and they continue to remain flat at low levels. Our investments in Federal Agencies continue to be called as current market yields remain lower than their coupon rates. We have invested more in Certificates of Deposits (CD) with their more attractive yields, limiting our individual CD investment to the \$250,000 Federal Deposit Insurance Corporation insured amount. In addition we purchased a bullet security to continue our laddering strategy.

We will continue to actively monitor the market for additional investment opportunities.

Attachment: Investment Portfolio as of February 29, 2012

City of Manhattan Beach
Investment Portfolio Summary
As of February 29, 2012

PORTFOLIO PROFILE	Feb 29, 2012	Jan 31, 2012	Dec 31, 2011	Nov 30, 2011	Oct 31, 2011
Total Book Value (Excluding Trust Funds)	\$61,091,427	\$60,796,427	\$56,901,427	\$52,715,131	\$53,115,131
Increase/(Decrease) from Prior Period	295,000	3,895,000	4,186,297	(400,000)	(1,555,000)
Percentage Change	0.5%	6.8%	7.9%	(0.8%)	(2.84%)
Average Yield to Maturity (365 Days)	1.107%	1.103%	1.161%	1.359%	1.303%
Increase/(Decrease) from Prior Period	0.004%	(0.058%)	(0.198%)	0.056%	0.067%

PORTFOLIO ALLOCATIONS

By Security	Value (Par)	Percent	Par YTM	Time Horizon	Percent
LAIF*	\$33,800,000	56.1%	0.389%	Next 12 months	63%
Certificates of Deposit	1,470,000	2.4%	1.632%	Months 13-24	5%
Medium Term Notes	3,000,000	5.0%	4.016%	Months 25-36	11%
Federal Agencies	22,000,000	36.5%	1.740%	Months 37-48	4%
				Months 49-60	18%
Total	\$60,270,000	100.0%	1.093%	Total	100.0%

*LAIF YTM as of February 29, 2012

RECENT ACTIVITY

Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
FNMA - 1.25% Coupon (Callable)	10/17/2011	10/17/2016	\$2,000,000		1.250%
Certificate of Deposit - 1.73% Coupon	10/28/2011	10/28/2015	245,000		1.740%
FNMA - 1.5% Coupon (Callable)	11/9/2011	5/9/2016	2,000,000		1.500%
FNMA - 1.25% Coupon (Bullet)	12/28/2011	9/28/2016	2,000,000		1.180%
Certificate of Deposit - 2.10% Coupon	12/29/2011	12/29/2016	245,000		2.100%
Certificate of Deposit - 2.05% Coupon	1/5/2012	1/5/2017	245,000		2.050%
Certificate of Deposit - 1.60% Coupon	2/15/2012	2/15/2017	245,000		1.600%
Total Purchases			\$6,980,000		1.389%
Matured: Citibank TLGP - 1.25% Coupon	9/22/2011	9/22/2011		\$1,000,000	0.790%
Matured: Wells Fargo TLGP - 3.00% Coupon	12/9/2011	12/9/2011		1,000,000	0.920%
Called: FHLB - 2.25% Coupon	12/13/2011	12/13/2016		1,000,000	2.250%
Called: FFCB - 2.45% Coupon	12/28/2011	12/28/2015		3,000,000	2.450%
Called: FHLB - 1.375% Coupon	1/25/2012	3/7/2016		1,000,000	1.375%
Total Maturing/Calls				\$7,000,000	1.812%

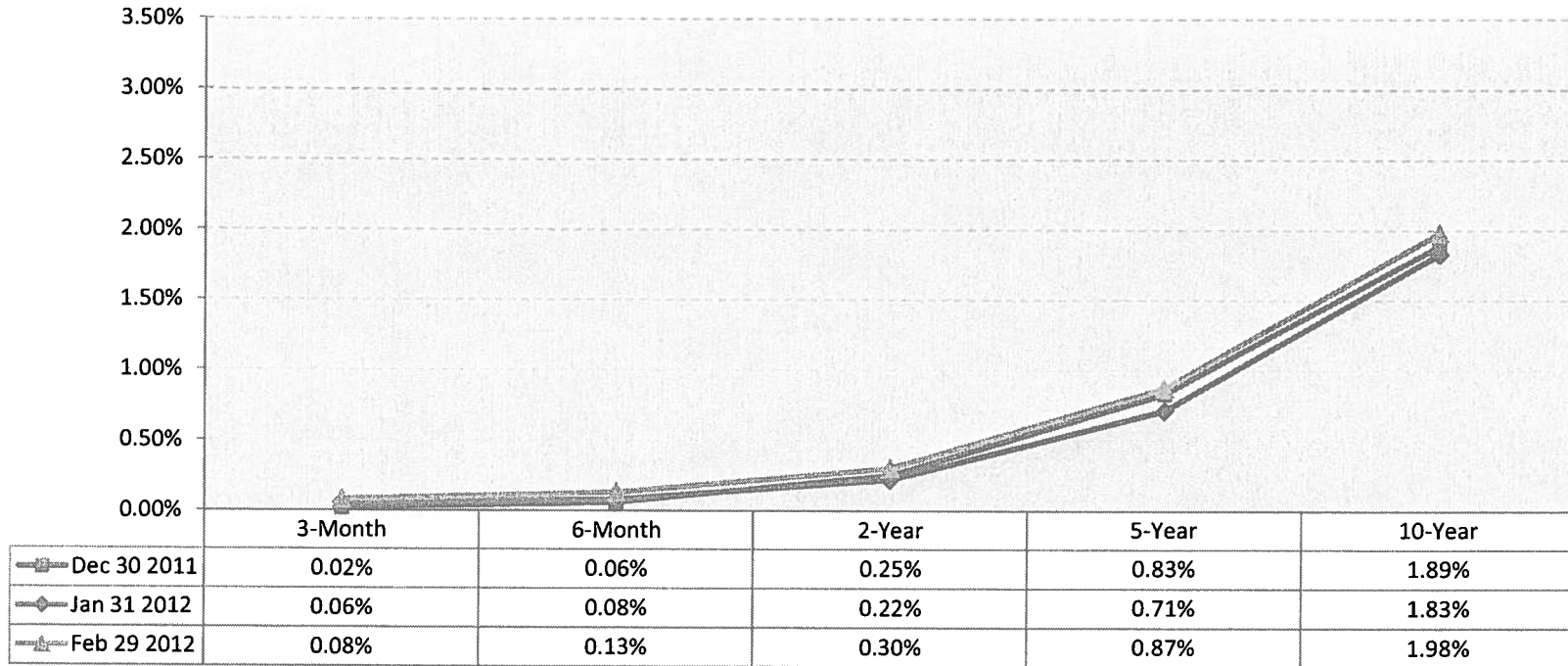
City of Manhattan Beach
Investment Portfolio Summary
As of February 29, 2012

PORTFOLIO FUNDS HELD IN TRUST (a)	Value
Police/Fire Debt Service Reserve Fund	\$817,075
Metlox Debt Service Reserve Fund	871,500
Marine Avenue	21,231
RCC Facility	175,806
Pension Bond	-
Water/Wastewater Debt Srv Reserve Fund	338,626
UUAD Assessment Funds	1,586,831
Total Funds Held in Trust	\$3,811,069

As of February 29, 2012

US Treasuries Yield Curve

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CITY OF MANHATTAN BEACH
Portfolio Maturity Structure
 March 2012 through February 2017

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						
Mar 12						Mar 13						Mar 14	3/28/14	1.15%	CD	nc	\$0.2M	Mar 15	3/4/15	2.18%	FFCB	nc	\$2.0M	Mar 16					
Apr 12						Apr 13						Apr 14	3/31/14	1.15%	CD	nc	\$0.2M	Apr 15						Apr 16					
May 12						May 13						May 14						May 15						May 16	5/9/16	1.50%	FNMA	5/9/12	\$2.0M
Jun 12						Jun 13						Jun 14						Jun 15						Jun 16	6/10/16	1.23%	FHLB	nc	\$1.0M
Jul 12						Jul 13	7/8/13	1.88%	FFCB	nc	\$1.0M	Jul 14	7/28/14	1.58%	FHLMC	nc	\$2.0M	Jul 15						Jul 16	7/27/16	2.05%	FHLMC	7/27/12	\$3.0M
Aug 12						Aug 13						Aug 14						Aug 15						Aug 16					
Sep 12	9/15/12	4.15%	MTN	nc	\$1.0M	Sep 13						Sep 14						Sep 15						Sep 16	9/28/16	1.18%	FNMA	nc	\$2.0M
Oct 12	10/19/12	3.95%	MTN	nc	\$2.0M	Oct 13	10/18/13	2.03%	FHLB	nc	\$2.0M	Oct 14						Oct 15	10/28/15	1.74%	CD	nc	\$0.2M	Oct 16	10/17/16	1.25%	FNMA	10/17/13	\$2.0M
Nov 12	11/15/12	1.84%	FHLB	nc	\$1.0M	Nov 13						Nov 14	11/13/14	2.33%	FHLMC	nc	\$2.0M	Nov 15						Nov 16					
Dec 12						Dec 13						Dec 14	11/20/14	1.48%	FNMA	nc	\$2.0M	Dec 15						Dec 16	12/29/16	2.10%	CD	nc	\$0.2M
Jan 13						Jan 14						Jan 15						Jan 16						Jan 17	1/15/17	2.05%	CD	nc	\$0.2M
Feb 13						Feb 14						Feb 15						Feb 16						Feb 17	2/15/17	1.60%	CD	nc	\$0.2M
Total By Year (excl LAIF)					\$4.0M						\$3.0M						\$6.5M						\$2.2M						\$10.7M
% of Total Securities (excl LAIF)					15%						11%						25%						8%						41%
% of Total Investments (incl LAIF)					63%						5%						11%						4%						18%

Securities not included above		\$0.0M
Total Securities	44%	\$26.5M
LAIF	56%	\$33.8M
Total Investments	100%	\$60.3M

Shaded rows indicate months with significant cash inflows.

City of Manhattan Beach

Investment Policy Compliance Chart

As of February 29, 2012

Instrument	Par Value	% of Total	Dollar Compliance		Percentage Compliance		Term Compliance	
			Limit	Compliant?	Limit	Compliant?	Limit	Compliant?
Local Agency Investment Fund (LAIF)	\$33,800,000	56.1%	\$40,000,000	Yes	<i>Temporary Suspension</i>			
Certificates of Deposit								
Cit 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
GE Capital Financial	245,000	0.4%	\$1,000,000	Yes	5.0%	Yes	5 Years	Yes
Goldman Sachs Bk	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
Subtotal Certificate of Deposit	\$1,470,000	2.4%			20.0%	Yes		
Medium Term (Corporate) Notes								
Bank America Corporation	\$1,000,000	1.7%			5.0%	Yes	3 Years	Yes
General Electric Capital	2,000,000	3.3%			5.0%	Yes	3 Years	Yes
Subtotal Medium Term Notes	\$3,000,000	5.0%			30.0%	Yes		
Federal Agencies								
Federal Home Loan Bank (FHLB)	\$4,000,000	6.6%			33.3%	Yes	5 Years	Yes
Federal Farm Credit (FFCR)	3,000,000	5.0%			33.3%	Yes	5 Years	Yes
Fannie Mae (FNMA)	8,000,000	13.3%			33.3%	Yes	5 Years	Yes
Freddie Mac (FHLMC)	7,000,000	11.6%			33.3%	Yes	5 Years	Yes
Subtotal Federal Agencies	\$22,000,000	36.5%			60.0%	Yes	5 Years	Yes
Total Portfolio	\$60,270,000	97.6%						

Approved by the Finance Subcommittee for the temporary policy suspension until December 2012 on LAIF to allow over 50% of the portfolio to be invested in LAIF.