



Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

THROUGH: Bruce Moe, Finance Director

FROM: Henry Mitzner, Controller
Eden Serina, Budget Analyst

DATE: June 19, 2012

SUBJECT: Investment Portfolio for May 2012

RECOMMENDATION:

Staff recommends that the Finance Subcommittee accepts a status report on the City's investment portfolio as of May 31, 2012.

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended action. As of May 31, 2012, the City's investment portfolio totaled \$70.1 million (book value).

DISCUSSION:

Since the last update of the February 2012 portfolio, the City's investment portfolio has increased \$9.0 million in book value due to a \$6.3 million increase in investment in the Local Agency Investment Fund (LAIF) and \$2.7 million in new investments. The net increase in LAIF is primarily due to property and sales tax receipts and a redeemed security, offset by fluctuations in normal operating activities (warrant, payroll coverage, etc.) and new investment purchases.

Activity

Purchases in the March 1 - May 31, 2012 timeframe are as follows:

Security	Coupon	Purchase Date	Maturity Date	Amount	YTM
Certificate of Deposit - 1.15% Coupon	1.150%	3/21/2012	3/21/2016	\$245,000	1.150%
Federal Farm Credit Bank (Callable)	0.690%	5/25/2012	10/30/2015	2,000,000	0.720%
Federal Farm Credit Bank (Callable)	0.770%	5/25/2012	2/1/2016	2,000,000	0.798%
Certificate of Deposit - 1.10% Coupon	1.100%	5/30/2012	5/30/2017	245,000	1.100%
Certificate of Deposit - 0.80% Coupon	0.800%	5/31/2012	6/1/2015	245,000	0.800%
Total Purchases (March 1 - May 31)				\$4,735,000	0.799%

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Redemptions in the March 1 - May 31, 2012 timeframe are as follows:

Security	Coupon	Call Date	Maturity Date	Amount	YTM
Federal National Mortgage Association (Called)	1.500%	5/9/2012	5/9/2016	\$2,000,000	1.500%
Total Matured/Called (March 1 - May 31)				\$2,000,000	1.500%

There has not been much change in interest rates since our last update, and they continue to remain flat at low levels. Non-callable government investments are yielding less than 1.0% even in the five-year maturity range, and the low interest rate environment is prompting callable securities to be redeemed prior to their maturity date. Despite this challenge we are holding steadfast to our laddering strategy of diversifying the maturities of the investments within the portfolio so that maturities line up with low cash inflow months, while ensuring a balanced portfolio. Along the lines of that strategy, two federal agency securities were purchased. We are also continuing to invest more in Certificates of Deposits (CD) with their more attractive yields, limiting our individual CD investment to under the \$250,000 Federal Deposit Insurance Corporation insured amount. Three additional CDs were purchased in the March to May timeframe.

As of May 31, 2012, the LAIF balance of \$40.1 million was above the City's investment policy limit of \$40 million (but still below LAIF's maximum account size of \$50 million). However, with no significant cash inflows in the next few months and upcoming investment purchases settling in June and July, our LAIF investment will decrease. At the time of writing this report, the current LAIF balance is approximately \$35 million.

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

Attachment: Investment Portfolio as of May 31, 2012

**City of Manhattan Beach
Investment Portfolio Summary
As of May 31, 2012**

PORTFOLIO PROFILE	May 31, 2012:	Apr. 30, 2012:	Mar 31, 2012	Feb 29, 2012	Jan 31, 2012
Total Book Value (Excluding Trust Funds):	\$70,122,427	\$65,936,427	\$60,436,427	\$61,091,427	\$60,796,427
Increase/(Decrease) from Prior Period	4,186,000	5,500,000	(655,000)	295,000	3,895,000
Percentage Change	6.3%	9.1%	(1.1%)	0.5%	6.85%
Average Yield to Maturity (365 Days)	0.996%	1.044%	1.114%	1.107%	1.103%
Increase/(Decrease) from Prior Period	(0.049%)	(0.070%)	0.008%	0.004%	(0.058%)

PORTFOLIO ALLOCATIONS

By Security	Value (Par)	Percent	Par YTM	Time Horizon	Percent
LAIF*	\$40,100,000	57.9%	0.363%	Next 12 months	64%
Certificates of Deposit	2,205,000	3.2%	1.427%	Months 13-24	5%
Medium Term Notes	3,000,000	4.3%	4.016%	Months 25-36	12%
Federal Agencies	24,000,000	34.6%	1.601%	Months 37-48	7%
Total	\$69,305,000	100.0%	0.984%	Months 49-60	13%

*LAIF YTM as of May 31, 2012

RECENT ACTIVITY

Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
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%
Certificate of Deposit - 1.15% Coupon	3/21/2012	3/21/2016	245,000		1.150%
FFCB - 0.69% Coupon (Callable)	5/25/2012	10/30/2015	2,000,000		0.720%
FFCB - 0.77% Coupon (Callable)	5/25/2012	2/1/2016	2,000,000		0.798%
Certificate of Deposit - 1.10% Coupon	5/30/2012	5/30/2017	245,000		1.100%
Certificate of Deposit - 0.80% Coupon	5/31/2012	6/1/2015	245,000		0.800%
Total Purchases			\$5,225,000		0.895%
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%
Called: FNMA - 1.50% Coupon	5/9/2012	5/9/2016		2,000,000	1.500%
Total Maturing/Calls				\$8,000,000	1.862%

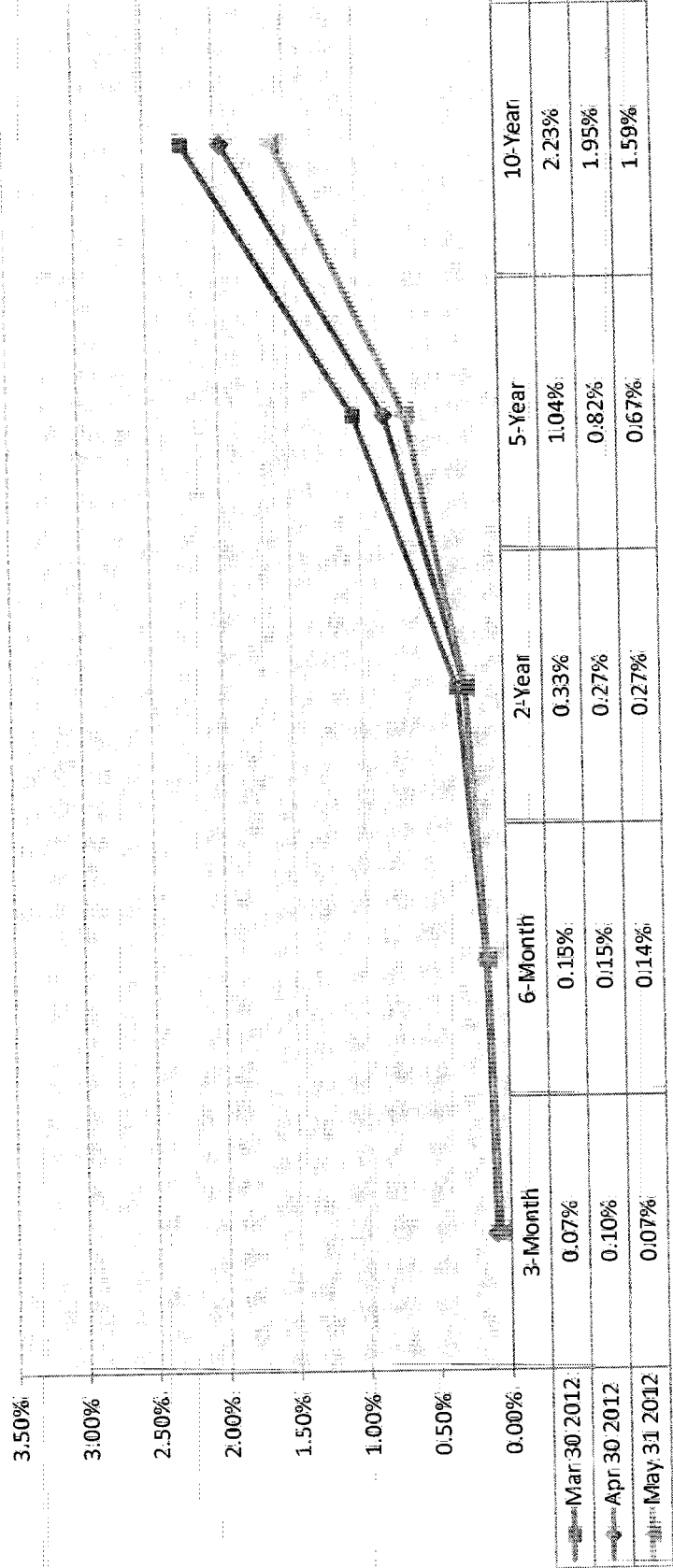
**City of Manhattan Beach
Investment Portfolio Summary
As of May 31, 2012.**

PORTFOLIO FUNDS HELD IN TRUST (a)	Value
Police/Fire Debt Service Reserve Fund	\$817,075
Metlibx Debt Service Reserve Fund	871,500
Marine Avenue	16,837
RCC Facility	173,959
Pension Bond	-
Water/Wastewater Debt Srv. Reserve Fund	338,619
UUAD Assessment Funds	1,359,648
Total Funds Held in Trust:	\$3,577,638

As of May 31, 2012

US Treasuries Yield Curve

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CITY OF MANHATTAN BEACH
Portfolio Maturity Structure:
June 2012 through May 2017

HELD TO MATURITY
Rolling 60 Months

Mth	Mat.	YTM	Inw	Call	Am't	Mth	Mat.	YTM	Inw	Call	Am't	Mth	Mat.	YTM	Inw	Call	Am't	
Jun 12						Jun 13						Jun 14						
Jul 12					\$1.0M	Jul 13	7/8/13	118%	FCCB	nc	\$1.0M	Jul 14	7/28/14	1.58%	FHLMG	nc	\$2.0M	
Aug 12						Aug 13						Aug 14						
Sep 12	9/15/12	4.15%	MTN	nc	\$110M	Sep 13						Sep 14						
Oct 12	10/19/12	3.95%	MTN	nc	\$2.0M	Oct 13	10/18/13	2.03%	FHLB	nc	\$2.0M	Oct 14						
Nov 12	11/15/12	1.84%	FHLB	nc	\$10M	Nov 13						Nov 14	11/13/14	2.33%	FHLMC	nc	\$2.0M	
Dec 12						Dec 13						Dec 14	11/20/14	1.48%	FNMA	nc	\$2.0M	
Jan 13						Jan 14						Jan 15						
Feb 13						Feb 14						Feb 15						
Mar 13					\$0.2M	Mar 14	3/28/14	1.15%	CD	nc	\$0.2M	Mar 15	3/4/15	2.18%	FCCB	nc	\$2.0M	
Apr 13					\$0.2M	Apr 14	3/31/14	1.15%	CD	nc	\$0.2M	Apr 15						
May 13						May 14						May 15						
Total By Year (excl LAIF)					\$4.0M						\$8.0M						\$4.7M	
% of Total Securities (excl LAIF)					14%						27%						16%	
% of Total Investments (incl LAIF)					64%						12%						7%	

Securities not included above: \$0.0M
 Total Securities 42%, \$29.2M
 LAIF 56%, \$40.1M
 Total Investments 100%, \$69.3M

Shaded rows indicate months with significant cash inflows.

City of Manhattan Beach Investment Policy Compliance Chart

As of May 31, 2012

Instrument	Par Value	% of Total	Dollar Compliance		Percentage Compliance		Term Compliance	
			Limit	Compliant?	Limit	Compliant?	Limit	Compliant?
Local Agency Investment Fund (LAIF)	\$40,100,000	57.9%	\$40,000,000	No	Temporary Suspension			
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
Breiner 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
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
Safra National Bank	245,000	0.4%	\$1,000,000	Yes	5.0%	Yes	5 Years	Yes
Subtotal Certificate of Deposit	\$2,205,000	3.2%			20.0%	Yes		
Medium Term (Corporate) Notes								
Bank America Corporation	\$1,000,000	1.4%			5.0%	Yes	5 Years	Yes
General Electric Capital	2,000,000	2.9%			5.0%	Yes	5 Years	Yes
Subtotal Medium Term Notes	\$3,000,000	4.3%			30.0%	Yes		
Federal Agencies								
Federal Home Loan Bank (FHFB)	\$4,000,000	5.8%			33.3%	Yes	5 Years	Yes
Federal Farm Credit (FFCR)	7,000,000	10.1%			33.3%	Yes	5 Years	Yes
Fannie Mae (FNMA)	6,000,000	8.7%			33.3%	Yes	5 Years	Yes
Freddie Mac (FHLMC)	7,000,000	10.1%			33.3%	Yes	5 Years	Yes
Subtotal Federal Agencies	\$24,000,000	34.6%			60.0%	Yes	5 Years	Yes
Total Portfolio	\$69,305,000	96.8%						

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.