



# 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:** November 15, 2013  
**SUBJECT:** Investment Portfolio for September 2013

**RECOMMENDATION:**

Staff recommends that the Finance Subcommittee accepts a status report on the City’s investment portfolio as of September 30, 2013.

**FISCAL IMPLICATION:**

There are no fiscal implications associated with the recommended action. As of September 30, 2013, the City’s investment portfolio totaled \$67.9 million in book value (\$67.4 million par value).

**DISCUSSION:**

Since the last update of the May 2013 portfolio, the City’s investment portfolio has decreased approximately \$9.0 million in par value due to a \$6.2 million net increase in investments (purchases less redemptions), and a \$15.3 million decrease in investment in the Local Agency Investment Fund (LAIF). The decrease in the LAIF investment is primarily due to purchases of new investments, normal operating activities (warrant and payroll coverage, workers compensation, etc.), and debt service payments.

Activity

Purchases in the June 1 to September 30, 2013 timeframe are as follows:

Security	Coupon	Purchase Date	Maturity Date	Amount (Par)	YTM
Federal Home Loan Mortgage Corp (Callable)	0.750%	6/27/2013	6/27/2016	\$2,000,000	0.750%
Federal Home Loan Bank (Callable)	1.450%	6/27/2013	6/27/2018	2,000,000	1.450%
Federal National Mortgage Association (Callable)	1.000%	8/28/2013	11/28/2016	2,000,000	1.063%
Medium Term Note(Callable)	0.650%	8/20/2013	12/7/2015	1,000,000	0.550%
Certificate of Deposit	0.750%	9/25/2013	9/25/2015	245,000	0.750%
Certificate of Deposit	0.550%	9/25/2013	9/25/2015	245,000	0.550%
Certificate of Deposit	0.650%	9/27/2013	9/28/2015	245,000	0.650%
Certificate of Deposit	0.650%	9/27/2013	9/28/2015	245,000	0.650%
Certificate of Deposit	0.600%	9/30/2013	9/30/2015	245,000	0.600%
<b>Total Purchases June 1 - September 30, 2013</b>				<b>\$8,225,000</b>	<b>0.956%</b>

Redemptions in the June 1 to September 30, 2013 timeframe are as follows:

Security	Coupon	Redemption Date	Maturity Date	Amount	YTM
Called: Federal National Mortgage Association	0.550%	6/4/2013	12/4/2014	\$1,000,000	0.499%
Matured: Federal Farm Credit Bank	4.250%	7/8/2013	7/8/2013	\$1,000,000	1.880%
<b>Total Matured/Called June 1 - September 30, 2013</b>				<b>\$2,000,000</b>	<b>1.190%</b>

The past few months were active in purchases, with Certificates of Deposits (CDs) continuing to show higher yields than their government and LAIF counterparts in the two-year range. Five CDs were purchased, each within the \$250,000 Federal Deposit Insurance Corporation insured amount. Three government securities and a medium-term note with favorable rates in the three- to five-year range were also purchased, further diversifying the portfolio. Offsetting the purchases were an early redemption of a security purchased last year and a full-term maturity of a security purchased three years ago.

Yields on government securities are improving. In early June 2013, yields on a non-callable (bullet), five-year security were in the 1.10% range. At the end of September, yields have grown to the 1.60% range. While these interest rates may still be too low to be locked in for five years, this gradual incline of interest rates remains encouraging.

Attachment: Investment Portfolio as of September 30, 2013

**City of Manhattan Beach  
Investment Portfolio Summary  
As of September 30, 2013**

PORTFOLIO PROFILE	Sep 30, 2013	Aug 30, 2013	Jul 31, 2013	Jun 30, 2013	May 31, 2013
Total Book Value (Excluding Trust Funds)	\$67,866,485	\$69,641,485	\$70,793,215	\$73,894,826	\$77,169,556
Increase/(Decrease) from Prior Period	(1,775,000) (2.5%)	(1,151,730) (1.6%)	(3,101,611) (4.2%)	(3,274,730) (4.2%)	6,405,000
Percentage Change					9.05%
Average Yield to Maturity (365 Days)	0.901%	0.884%	0.845%	0.832%	0.772%
Increase/(Decrease) from Prior Period	0.017%	0.038%	0.014%	0.060%	(0.060%)

**PORTFOLIO ALLOCATIONS**

By Security	Value (Par)	Percent	Par YTM	Time Horizon	Percent
LAIF*	\$26,500,000	39.3%	0.257%	Next 12 months	46%
Certificates of Deposit	6,860,000	10.2%	1.028%	Months 13-24	16%
Medium Term Notes	9,000,000	13.4%	1.189%	Months 25-36	18%
Federal Agencies	25,000,000	37.1%	1.438%	Months 37-48	11%
<b>Total</b>	<b>\$67,360,000</b>	<b>100.0%</b>	<b>0.898%</b>	Months 49-60	9%
				<b>Total</b>	<b>100.0%</b>

\*LAIF YTM as of September 30, 2013

**RECENT ACTIVITY**

Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
FHLMC - 0.75% Coupon (Callable)	6/27/2013	6/27/2016	\$2,000,000		0.750%
FHLB - 1.45% Coupon (Callable)	6/27/2013	6/27/2018	2,000,000		1.450%
FNMA - 1% Coupon (Callable)	8/28/2013	11/28/2016	2,000,000		1.063%
Medium Term Note - 0.65% Coupon (Callable)	8/20/2013	12/7/2015	1,000,000		0.550%
Certificate of Deposit - 0.75% Coupon	9/25/2013	9/25/2015	245,000		0.750%
Certificate of Deposit - 0.55% Coupon	9/25/2013	9/25/2015	245,000		0.550%
Certificate of Deposit - 0.65% Coupon	9/27/2013	9/28/2015	245,000		0.650%
Certificate of Deposit - 0.65% Coupon	9/27/2013	9/28/2015	245,000		0.650%
Certificate of Deposit - 0.60% Coupon	9/30/2013	9/30/2015	245,000		0.600%
<b>Total Purchases</b>			<b>\$8,225,000</b>		<b>0.956%</b>
Called: CD - 1.1% Coupon	5/30/2013	5/30/2017		\$245,000	1.100%
Called: FNMA - 0.55% Coupon	6/4/2013	12/4/2014		1,000,000	0.499%
Matured: Fed Farm Credit - 4.25% Coupon	7/8/2013	7/8/2013		1,000,000	1.880%
<b>Total Maturing/Calls</b>				<b>\$2,245,000</b>	<b>1.180%</b>

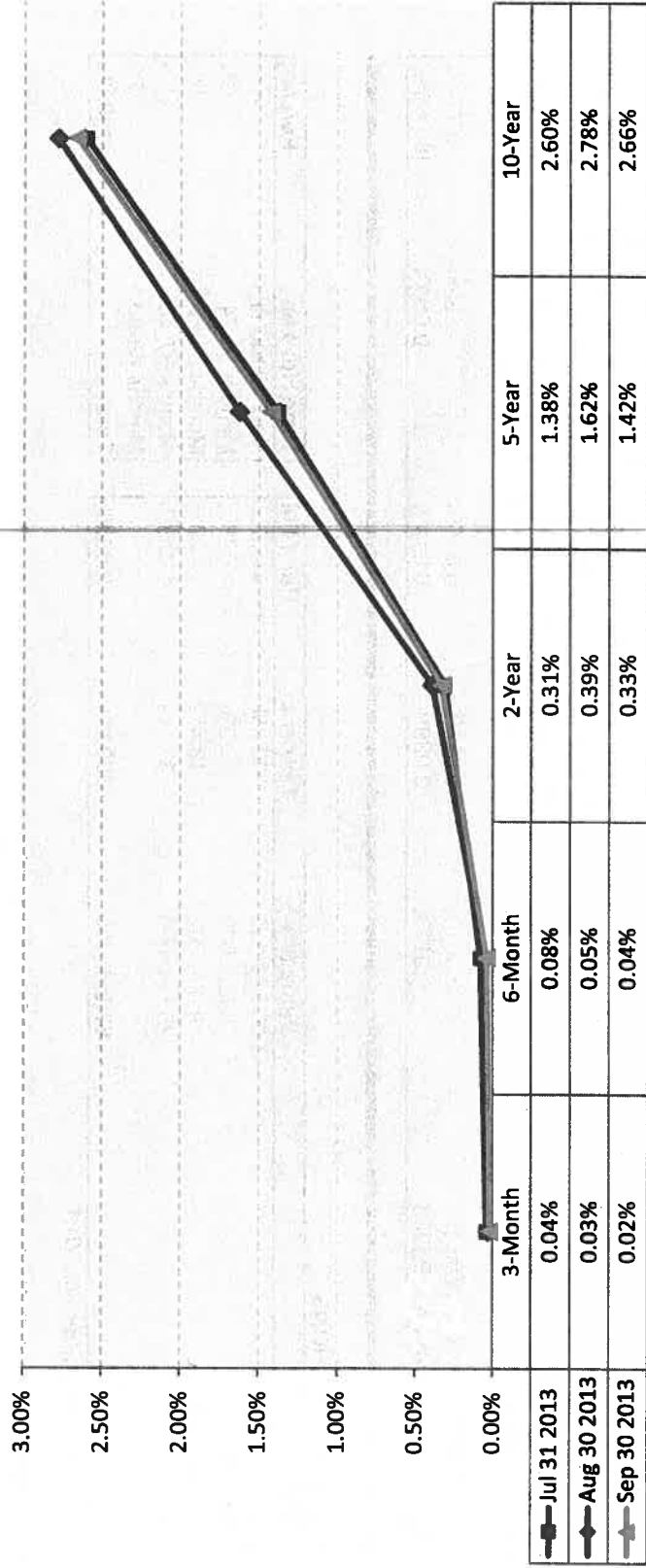
**City of Manhattan Beach  
Investment Portfolio Summary  
As of September 30, 2013**

PORTFOLIO FUNDS HELD IN TRUST	Value
Police/Fire Refund Escrow	\$11,420,321
Police/Fire Refund Delivery Cost	8,279
Marine Avenue	34,580
Pension Bond	19,178
Metlox & Water/Wastewater Refunding	5
UUAD Assessment Funds	1,359,648
<b>Total Funds Held in Trust</b>	<b>\$12,842,011</b>

As of September 30, 2013

**US Treasuries Yield Curve**

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





**City of Manhattan Beach  
Investment Policy Compliance Chart**  
As of September 30, 2013

Instrument	Par Value	% of Total	Dollar Compliance		Percentage Compliance		Term Compliance	
			Limit	Compliant?	Limit	Compliant?	Limit	Compliant?
<b>Local Agency Investment Fund (LAIF)*</b>	<b>\$26,500,000</b>	<b>38.3%</b>	<b>\$50,000,000</b>	<b>Yes</b>				
<b>Certificates of Deposit</b>								
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 Hippoalim NY	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
Bank of Manhattan	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
Barrington Bank	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
BMW Bank North America	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
Boston Private Bank & Trust	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
Compass 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	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
Flushing SB NY	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
Fox Chase Bank	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
GE Cap Financial Inc	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
Georgia Bank & Trust	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
Key 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
Pyramax 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
Salle Mae Bank	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
Sovereign Bank Natl Assn	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
State Bank of India	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
USNY Bank	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
Washington Federal	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
Wheaton Bk & Trust	245,000	0.4%	1,000,000	Yes	5.0%	Yes	5 Years	Yes
<b>Total Certificates of Deposit (28)</b>	<b>\$6,860,000</b>	<b>10.2%</b>			<b>20.0%</b>	<b>Yes</b>		
<b>Medium Term (Corporate) Notes (e)</b>								
Berksire 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
Costco Companies	1,000,000	1.5%			5.0%	Yes	5 Years	Yes
GE Cap Corp	2,000,000	3.0%			5.0%	Yes	5 Years	Yes
National Australia Bank	500,000	0.7%			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 & Co	1,500,000	2.2%			5.0%	Yes	5 Years	Yes
<b>Total Medium Term Notes</b>	<b>\$9,000,000</b>	<b>13.4%</b>			<b>20.0%</b>	<b>Yes</b>		
<b>Federal Agencies</b>								
Federal Home Loan Bank (FHLB)	\$5,000,000	7.4%			33.3%	Yes	5 Years	Yes
Federal Farm Credit (FFCB)	4,000,000	5.9%			33.3%	Yes	5 Years	Yes
Fannie Mae (FNMA)	8,000,000	11.9%			33.3%	Yes	5 Years	Yes
Freddie Mac (FHLMC)	8,000,000	11.9%			33.3%	Yes	5 Years	Yes
<b>Total Federal Agencies</b>	<b>\$25,000,000</b>	<b>37.1%</b>			<b>60.0%</b>	<b>Yes</b>	<b>5 Years</b>	<b>Yes</b>
<b>Total Portfolio</b>	<b>\$67,360,000</b>	<b>100.0%</b>						

\*Approved by the Finance Subcommittee for the temporary policy suspension until December 2013 to allow over 50% of the portfolio to be invested in LAIF.