



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: November 25, 2014

SUBJECT: Investment Portfolio for October 2014

RECOMMENDATION:

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

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended action. As of October 31, 2014, the City's investment portfolio totaled \$75.3 million in book value (\$75.0 million par value).

DISCUSSION:

Since the last update of the May 2014 portfolio, the City's investment portfolio has decreased approximately \$11.2 million in par value due to a \$15.7 million decrease in investment in the Local Agency Investment Fund (LAIF) attributable to debt service and City Manager loan payments, investment purchases and normal operating activities (warrant and payroll coverage). The decrease in LAIF was offset by a \$4.5 million net increase in investments (federal agency securities and certificates of deposit).

Activity

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

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Security Purchases	Coupon	Purchase Date	Maturity Date	Amount (Par)	YTM
Federal Home Loan Bank (Callable)	0.875%	7/28/2014	1/17/2017	\$2,000,000	0.875%
Federal Home Loan Mortgage Corp	1.250%	8/1/2014	8/1/2019	2,000,000	1.788%
Federal Home Loan Mortgage Corp (Callable)	1.200%	8/21/2014	8/21/2017	2,000,000	1.200%
Federal Home Loan Bank	1.200%	9/22/2014	9/19/2017	3,000,000	1.180%
Total Purchases June 1 - October 31, 2014				\$9,000,000	1.252%

Security Redemptions	Coupon	Redemption Date	Maturity Date	Amount	YTM
Federal Home Loan Mortgage Corp	3.000%	7/28/2014	7/28/2014	\$2,000,000	1.576%
Certificate of Deposit	0.750%	10/24/2014	10/24/2014	245,000	0.750%
Certificate of Deposit	0.700%	10/27/2014	10/27/2014	245,000	0.700%
Federal Home Loan Bank (Called)	0.875%	10/29/2014	1/17/2017	2,000,000	0.875%
Total Matured/Called June 1 - October 31, 2014				\$4,490,000	1.171%

For the June through October timeframe, yields on securities have shown slight increases when looking at a five-year non-callable government security. While the focus continues to be on laddering the portfolio to ensure a diverse mix of investment types and maturity dates that support the operating structure of the City, purchases have been predominantly made in the three-year range to avoid being locked into a five-year rate as yields show signs of increasing. Four government securities totaling \$9 million were purchased to maintain diversity in the portfolio and offset the \$4.5 million in redeemed securities during that timeframe.

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 October 31, 2014

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

PORTFOLIO PROFILE	Oct 31, 2014	Sep 30, 2014	Aug 31, 2014	Jul 31, 2014	June 30, 2014
Total Book Value (Excluding Trust Funds)	\$75,274,962	\$76,564,962	\$79,463,222	\$80,263,722	\$82,566,110
Increase/(Decrease) from Prior Period	(1,290,000)	(2,898,260)	(800,500)	(2,302,387)	(4,072,198)
Percentage Change	(1.7%)	(3.6%)	(1.0%)	(2.8%)	(4.70%)
Average Yield to Maturity (365 Days)	0.972%	0.974%	0.917%	0.843%	0.836%
Increase/(Decrease) from Prior Period	(0.002%)	0.056%	0.074%	0.007%	0.026%

PORTFOLIO ALLOCATIONS

By Security	Value (Par)	Percent	Par YTM	Time Horizon	Percent
LAIF*	\$25,950,000	34.6%	0.261%	Next 12 months	49%
Certificates of Deposit	8,051,000	10.7%	1.009%	Months 13-24	12%
Medium Term Notes	12,000,000	16.0%	1.212%	Months 25-36	16%
Federal Agencies	29,000,000	38.7%	1.494%	Months 37-48	14%
				Months 49-60	9%
Total	\$75,001,000	100.0%	0.970%	Total	100.0%

*LAIF YTM as of October 31, 2014

RECENT ACTIVITY

Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
FHLB - 0.875% Coupon	7/28/2014	1/17/2017	\$2,000,000		0.875%
FHLMC - 1.25% Coupon	8/1/2014	8/1/2019	2,000,000		1.788%
FHLMC - 1.2% Coupon	8/21/2014	8/21/2017	2,000,000		1.200%
FHLB - 1.2% Coupon	9/22/2014	9/19/2017	3,000,000		1.180%
Total Purchases			\$9,000,000		1.252%
Matured: FHLMC - 3% Coupon	7/28/2014	7/28/2014		\$2,000,000	1.576%
Matured: CD - 0.75% Coupon	10/24/2014	10/24/2014		245,000	0.750%
Matured: CD - 0.7% Coupon	10/27/2014	10/27/2014		245,000	0.700%
Called: FHLB - 0.875% Coupon	10/29/2014	1/17/2017		2,000,000	0.875%
Total Maturing/Calls				\$4,490,000	1.171%

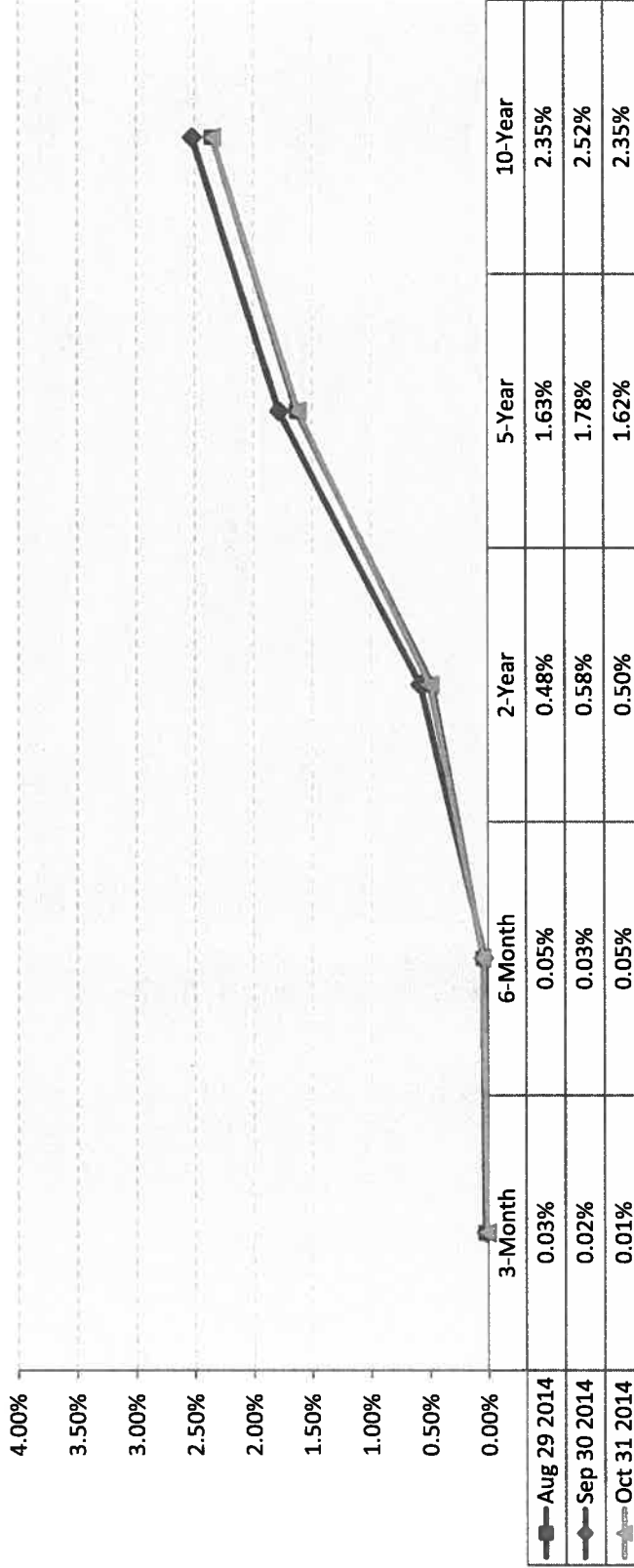
**City of Manhattan Beach
Investment Portfolio Summary
As of October 31, 2014**

PORTFOLIO FUNDS HELD IN TRUST	Value
Police/Fire Refund Delivery Cost	\$1
Marine Avenue	37,096
Metlox & Water/Wastewater Refunding	4
UUAD Assessment Funds	1,359,648
Total Funds Held in Trust	\$1,396,748

As of October 31, 2014

US Treasuries Yield Curve

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CITY OF MANHATTAN BEACH
Portfolio Maturity Structure
 November 2014 through October 2019

HELD TO MATURITY
Rolling 60 Months

Month	Mat.	YTM	Inv	Call	Amt	Month	Mat.	YTM	Inv	Call	Amt	Month	Mat.	YTM	Inv	Call	Amt
Nov 14	11/13/14	2.3%	FHLMC	nc	\$2.0M	Nov 15						Nov 16	11/22/16	0.75%	CD	nc	\$0.2M
	11/20/14	1.5%	FNMA	nc	\$2.0M								11/28/16	0.80%	CD	nc	\$0.2M
													11/28/16	0.85%	CD	nc	\$0.2M
Dec 14						Dec 15	12/7/15	0.55%	MTN	MW: 5	\$1.0M	Dec 16	12/15/16	1.28%	MTN	nc	\$0.5M
													12/29/16	2.10%	CD	nc	\$0.2M
Jan 15						Jan 16						Jan 17	1/5/17	2.05%	CD	nc	\$0.2M
													1/31/17	1.11%	MTN	nc	\$1.0M
Feb 15	2/13/15	1.1%	MTN	nc	\$1.0M	Feb 16	2/29/16	0.70%	CD	nc	\$0.2M	Feb 17	2/14/17	0.80%	CD	nc	\$0.2M
													2/15/17	1.60%	CD	nc	\$0.2M
													2/21/17	0.75%	CD	nc	\$0.2M
Mar 15	3/4/15	2.2%	FFCB	nc	\$2.0M	Mar 16	3/21/16	1.15%	CD	nc	\$0.2M	Mar 17	3/28/17	0.75%	CD	nc	\$0.2M
													3/28/17	0.75%	CD	nc	\$0.2M
Apr 15						Apr 16						Apr 17	4/28/17	0.75%	CD	nc	\$0.2M
May 15						May 16	5/8/16	1.35%	MTN	nc	\$2.0M	May 17					
Jun 15	6/1/15	0.8%	CD	nc	\$0.2M	Jun 16	6/6/16	1.24%	MTN	nc	\$1.0M	Jun 17					
							6/2/16	0.75%	CD	nc	\$0.2M						
							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
Aug 15	8/7/15	0.9%	MTN	nc	\$0.5M	Aug 16	8/29/16	0.90%	CD	nc	\$0.2M	Aug 17	8/29/17	1.05%	CD	2/28/13	\$0.2M
													8/21/17	1.20%	FHLMC	11/21/14	\$2.0M
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
							9/29/16	0.78%	MTN	nc	\$1.0M						
Oct 15	10/28/15	1.7%	CD	nc	\$0.2M	Oct 16						Oct 17	10/5/17	1.14%	MTN	12/21/12	\$1.0M
													10/15/17	1.35%	MTN	MW: 10	\$1.0M
Total By Year (excl LAIF)					\$10.71m	Total By Year (excl LAIF)					\$10.68m	Total By Year (excl LAIF)					\$10.68m
% of Total Securities (excl LAIF)					22%	% of Total Securities (excl LAIF)					24%	% of Total Securities (excl LAIF)					22%
% of Total Investments (incl LAIF)					49%	% of Total Investments (incl LAIF)					18%	% of Total Investments (incl LAIF)					14%
Total Securities					65%	Total Securities					65%	Total Securities					65%
LAIF					35%	LAIF					35%	LAIF					35%
Total Investments					100%	Total Investments					100%	Total Investments					100%

Shaded rows indicate months with significant cash inflows.

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

As of October 31, 2014

Instrument	% of Total	Dollar Compliance Limit	Percentage Compliance Limit	Term Compliance Limit
Local Agency Investment Fund (LAIF)	\$25,950,000	34.6%		
Certificates of Deposit				
Discover Bank (5649)	\$245,000	0.3%	5.0%	5 Years
First Merit Bank (13675)	245,000	0.3%	5.0%	5 Years
First Bank NC (15019)	245,000	0.3%	5.0%	5 Years
Flushing SB NY (16049)	245,000	0.3%	5.0%	5 Years
Citizens Deposit Bk (16862)	211,000	0.3%	5.0%	5 Years
Key Bank NA (17534)	245,000	0.3%	5.0%	5 Years
Webster Bank (19221)	245,000	0.3%	5.0%	5 Years
Compass Bank (19048)	245,000	0.3%	5.0%	5 Years
Bank of Manhattan (23191)	245,000	0.3%	5.0%	5 Years
Boston Private Bank & Trust (24811)	245,000	0.3%	5.0%	5 Years
Safra National Bank (26876)	245,000	0.3%	5.0%	5 Years
Georgia Bank & Trust (27574)	245,000	0.3%	5.0%	5 Years
Fox Chase Bank (28888)	245,000	0.3%	5.0%	5 Years
Pyramax Bank (29120)	245,000	0.3%	5.0%	5 Years
Third Fed Svgs Bk (30012)	245,000	0.3%	5.0%	5 Years
Washington Federal (30570)	245,000	0.3%	5.0%	5 Years
Goldman Sachs Bk (33124)	245,000	0.3%	5.0%	5 Years
Bank of NC (33527)	245,000	0.3%	5.0%	5 Years
Slate Bank of India NY (33682)	245,000	0.3%	5.0%	5 Years
Bank Hapoalim NY (33686)	245,000	0.3%	5.0%	5 Years
GE Cap Financial Inc.(GE Capital Bank - 33778)	245,000	0.3%	5.0%	5 Years
Wheaton Bk & Trust (33803)	245,000	0.3%	5.0%	5 Years
First Sentry Bank (34241)	245,000	0.3%	5.0%	5 Years
Barrington Bank & Trust (34395)	245,000	0.3%	5.0%	5 Years
Merrick Bank (34519)	245,000	0.3%	5.0%	5 Years
EverBank (34775)	245,000	0.3%	5.0%	5 Years
Bank of Holland (34862)	245,000	0.3%	5.0%	5 Years
Comenity Capital (57570)	245,000	0.3%	5.0%	5 Years
Ally Bank (57803)	245,000	0.3%	5.0%	5 Years
Sallie Mae Bank (58177)	245,000	0.3%	5.0%	5 Years
Marlin Business Bank (58267)	245,000	0.3%	5.0%	5 Years
USNY Bank (58541)	245,000	0.3%	5.0%	5 Years
Crossfirst Bank (58648)	245,000	0.3%	5.0%	5 Years
Total Certificates of Deposit (33)	\$8,051,000	10.7%	20.0%	5 Years
Medium Term (Corporate) Notes				
Berkshire Hathaway	\$1,000,000	1.3%	5.0%	5 Years
Commonwealth Bank Australia	1,000,000	1.3%	5.0%	5 Years
Costco Companies	1,000,000	1.3%	5.0%	5 Years
GE Cap Corp	2,000,000	2.7%	5.0%	5 Years
National Australia Bank	500,000	0.7%	5.0%	5 Years
Oracle	1,000,000	1.3%	5.0%	5 Years
Pfizer Inc	1,000,000	1.3%	5.0%	5 Years
Toyota Motor Credit	1,000,000	1.3%	5.0%	5 Years
Union Bank	1,000,000	1.3%	5.0%	5 Years
Wells Fargo & Co	1,500,000	2.0%	5.0%	5 Years
3M	1,000,000	1.3%	5.0%	5 Years
Total Medium Term Notes (11)	\$12,000,000	16.0%	20.0%	5 Years
Federal Agencies				
Federal Home Loan Bank (FHLM)	\$8,000,000	10.7%	33.3%	5 Years
Federal Farm Credit (FFCB)	6,000,000	8.0%	33.3%	5 Years
Fannie Mae (FNMA)	5,000,000	6.7%	33.3%	5 Years
Freddie Mac (FHLMC)	8,000,000	10.7%	33.3%	5 Years
Tenn Valley Authority (TVA)	2,000,000	2.7%	33.3%	5 Years
Total Federal Agencies (5)	\$29,000,000	38.7%	60.0%	5 Years
Total Portfolio	\$75,001,000	100.0%		