



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

THROUGH: Bruce Moe, Finance Director *BM*

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

DATE: December 17, 2015

SUBJECT: Investment Portfolio for October 2015

RECOMMENDATION:

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

FISCAL IMPLICATION:

There are no fiscal implications associated with the recommended action. As of October 31, 2015, the City's investment portfolio totaled \$85.2 million in book value (\$84.8 million par value).

DISCUSSION:

Since the last update as of the May 2015, the City's investment portfolio has decreased \$9.4 million in par value. Consistent with prior years, normal operating activities (warrant and payroll coverage) contributed to the decrease in portfolio value. The first five months of the fiscal year typically operate at a deficit until December and January when Property Taxes are received. Property Tax receipts in excess of \$10.0 million are anticipated in December and January.

Activity

The following purchase and redemption activity took place between June 1 and October 31, 2015:

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Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
FNMA - 1.875% Coupon	6/19/2015	2/19/2019	2,000,000		1.425%
FFCB - 1.8% Coupon	6/19/2015	6/15/2020	2,000,000		1.780%
MTN - 1.104% Coupon	6/23/2015	12/5/2017	1,000,000		1.170%
FHLMC - 0.75% Coupon	8/19/2015	8/25/2017	1,000,000		0.820%
MTN - 1.912% Coupon	8/21/2015	3/6/2020	1,000,000		2.020%
FFCB - 1.67% Coupon	8/26/2015	8/26/2019	1,000,000		1.670%
FHLB - 1% Coupon	9/18/2015	9/18/2020	1,000,000		1.000%
FHLB - 1.125% Coupon	10/26/2015	9/14/2018	1,000,000		0.940%
TVA - 4.5% Coupon	10/26/2015	4/1/2018	1,000,000		0.977%
FHLMC - 1% Coupon	10/26/2015	9/29/2017	1,000,000		0.640%
Total Purchases			\$12,000,000		1.304%
Matured: CD - 0.8% Coupon	6/1/2015	6/1/2015		245,000	0.800%
Called: FHLB - 1.45% Coupon	6/29/2015	6/27/2018		2,000,000	1.450%
Matured: CD - 1% Coupon	7/24/2015	7/24/2015		245,000	1.000%
Matured: MTN - 1.6% Coupon	8/7/2015	8/7/2015		500,000	0.880%
Matured: CD - 1.1% Coupon	8/10/2015	8/10/2015		245,000	1.100%
Matured: CD - 0.75% Coupon	9/25/2015	9/25/2015		245,000	0.750%
Matured: CD - 0.55% Coupon	9/25/2015	9/25/2015		245,000	0.550%
Matured: CD - 0.65% Coupon	9/28/2015	9/28/2015		245,000	0.650%
Matured: CD - 0.65% Coupon	9/28/2015	9/28/2015		245,000	0.650%
Matured: CD - 0.6% Coupon	9/30/2015	9/30/2015		245,000	0.600%
Called: FHLMC - 1.125% Coupon	10/2/2015	4/2/2018		2,000,000	1.125%
Matured: CD - 1.73% Coupon	10/28/2015	10/28/2015		245,000	1.730%
Total Maturing/Calls				\$6,705,000	1.120%

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)

During the May through October time period, yields on securities have not shown dramatic improvement from the prior months. Ten government and high-grade medium-term corporate securities totaling \$12.0 million were purchased to maintain diversity in the portfolio. Several securities were redeemed, including two called federal agency securities, one medium-term corporate note, and nine Certificates of Deposit. Redeemed investments since June 1 totaled \$6.7 million.

Market conditions and investment opportunities are monitored regularly. 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 October 31, 2015

City of Manhattan Beach
Investment Portfolio Summary
As of October 31, 2015

PORTFOLIO PROFILE	Oct 31, 2015	Sep 30, 2015	Aug 31, 2015	Jul 31, 2015	Jun 30, 2015
Total Book Value (Excluding Trust Funds)	\$85,205,810	\$85,351,850	\$87,576,850	\$90,837,800	\$92,082,800
Increase/(Decrease) from Prior Period	(146,040)	(2,225,000)	(3,260,950)	(1,245,000)	(2,464,321)
Percentage Change	(0.2%)	(2.5%)	(3.6%)	(1.4%)	(2.6%)
Average Yield to Maturity (365 Days)	0.980%	0.977%	0.955%	0.896%	0.882%
Increase/(Decrease) from Prior Period	0.003%	0.022%	0.060%	0.014%	0.058%

PORTFOLIO ALLOCATIONS

By Security	Value (Par)	Percent	Par YTM	Time Horizon	Percent
LAIF*	\$24,450,000	28.83%	0.357%	Next 12 months	42%
Certificates of Deposit	5,846,000	6.9%	1.061%	Months 13-24	22%
Medium Term Notes	12,500,000	14.7%	1.299%	Months 25-36	16%
Federal Agencies	42,000,000	49.5%	1.234%	Months 37-48	13%
				Months 49-60	7%
Total	\$84,796,000	100.0%	0.979%	Total	100.0%

*LAIF YTM as of October 31, 2015

RECENT ACTIVITY

Security	Date of Activity	Maturity Date	Purchase (Par)	Maturing/Call	YTM
MTN - 1.912% Coupon	8/21/2015	3/6/2020	1,000,000		2.020%
FFCB - 1.67% Coupon	8/26/2015	8/26/2019	1,000,000		1.670%
FHLB - 1% Coupon	9/18/2015	9/18/2020	1,000,000		1.000%
FHLB - 1.125% Coupon	10/26/2015	9/14/2018	1,000,000		0.940%
TVA - 4.5% Coupon	10/26/2015	4/1/2018	1,000,000		0.977%
FHLMC - 1% Coupon	10/26/2015	9/29/2017	1,000,000		0.640%
Total Purchases			\$6,000,000		1.208%
Matured: CD - 0.75% Coupon	9/25/2015	9/25/2015		245,000	0.750%
Matured: CD - 0.55% Coupon	9/25/2015	9/25/2015		245,000	0.550%
Matured: CD - 0.65% Coupon	9/28/2015	9/28/2015		245,000	0.650%
Matured: CD - 0.65% Coupon	9/28/2015	9/28/2015		245,000	0.650%
Matured: CD - 0.6% Coupon	9/30/2015	9/30/2015		245,000	0.600%
Called: FHLMC - 1.125% Coupon	10/2/2015	4/2/2018		2,000,000	1.125%
Matured: CD - 1.73% Coupon	10/28/2015	10/28/2015		245,000	1.730%
Total Maturing/Calls				\$3,470,000	0.996%

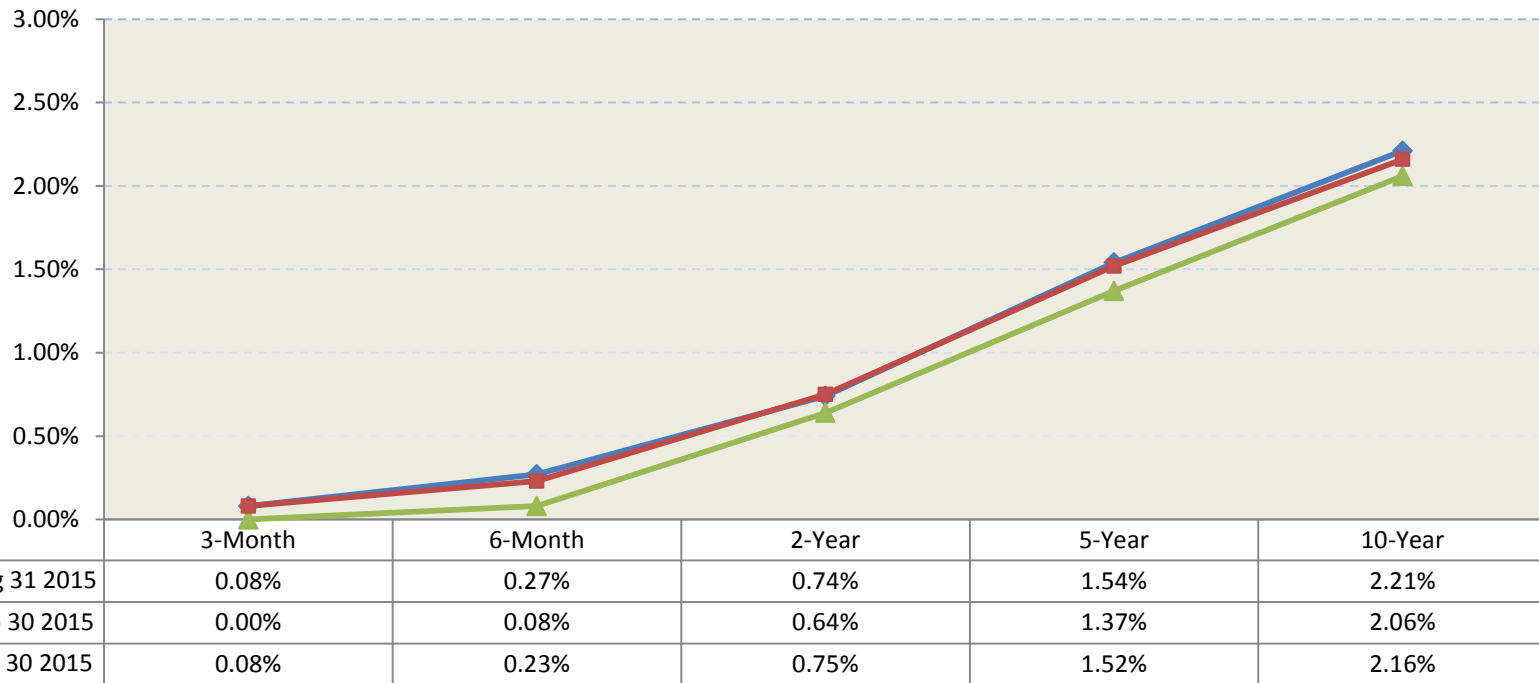
City of Manhattan Beach
Investment Portfolio Summary
As of October 31, 2015

PORTFOLIO FUNDS HELD IN TRUST	Value
Police/Fire Refund Delivery Cost	\$1
Marine Avenue	20,368
Metlox & Water/Wastewater Refunding	2
UUAD Assessment Funds	1,359,648
Total Funds Held in Trust	\$1,380,018

As of October 31, 2015

US Treasuries Yield Curve

www.treas.gov



CITY OF MANHATTAN BEACH
Portfolio Maturity Structure

November 2015 through October 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						
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												
												12/5/17	1.17%	MTN	MW: 7.5	\$1.0M													
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		2/19/19	1.42%	FNMA	nc	\$2.0M						
							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	3/6/20	2.02%	MTN	MW: 5	\$1.0M
							3/28/17	0.75%	CD	nc	\$0.2M																		
Apr 16						Apr 17	4/28/17	0.75%	CD	nc	\$0.2M	Apr 18						Apr 19						Apr 20					
												4/4/18	0.95%	CD	nc	\$0.2M													
												4/1/18	0.98%	TVA	nc	\$1.0M													
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					
Jun 16	6/6/16	1.2%	MTN	nc	\$1.0M	Jun 17						Jun 18						Jun 19	6/1/19	1.78%	MTN	nc	\$1.0M	Jun 20	6/15/20	1.78%	FFCB	nc	\$2.0M
	6/2/16	0.8%	CD	nc	\$0.2M								6/15/18	1.73%	MTN	MW: 10	\$1.0M												
	6/10/16	1.2%	FHLB	nc	\$1.0M																								
Jul 16						Jul 17	7/27/17	1.10%	CD	nc	\$0.2M	Jul 18						Jul 19						Jul 20					
Aug 16	8/29/16	0.9%	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	Aug 20					
							8/29/17	1.05%	CD	2/28/13	\$0.2M								8/26/19	1.67%	FFCB	8/26/16	\$1.0M						
							8/25/17	0.82%	FHLMC	nc	\$1.0M																		
Sep 16	9/28/16	1.2%	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						Sep 20	9/18/20	1.00%	FHLB	9/18/17	\$1.0M
	9/29/16	0.8%	MTN	nc	\$1.0M		9/18/17	1.19%	FFCB	nc	\$2.0M		9/14/18	0.94%	FHLB	nc	\$1.0M												
							9/29/17	0.64%	FHLMC	nc	\$1.0M																		
Oct 16	10/14/16	0.6%	FHLB	nc	\$2.0M	Oct 17	10/5/17	1.14%	MTN	#####	\$1.0M	Oct 18	10/15/18	1.39%	TVA	nc	\$2.0M	Oct 19						Oct 20					
							10/15/17	1.35%	MTN	MW: 10	\$1.0M																		
Total By Year (excl LAIF)					\$10.98m						\$18.69m						\$13.68m						\$11.00m						\$6.00m
% of Total Securities (excl LAIF)					18%						31%						23%						18%						10%
% of Total Investments (incl LAIF)					42%						22%						16%						13%						7%

Total Securities	71%	\$60.3M
LAIF	29%	\$24.5M
Total Investments	100%	\$84.8M

Shaded rows indicate months with significant cash inflows.

City of Manhattan Beach Investment Policy Compliance Chart

As of October 31, 2015

Instrument			% of Total	Dollar Compliance		Percentage Compliance		Term Compliance	
				Limit	Compliant?	Limit	Compliant?	Limit	Compliant?
Local Agency Investment Fund (LAIF)		\$24,450,000	28.8%	\$50,000,000	Yes	<i>Temporary Suspension</i>			
Certificates of Deposit									
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
Webster Bank (18221)	18221	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
Georgia Bank & Trust (27574)	27574	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
GE Cap Financial Inc (GE Capital Bank - 33778)	33778	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
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
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
Total Certificates of Deposit (24)		\$5,846,000	6.9%			20.0%	Yes		
Medium Term (Corporate) Notes									
Berkshire Hathaway		\$1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Costco Companies		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
GE Cap Corp		2,000,000	2.4%			5.0%	Yes	5 Years	Yes
Oracle		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Pfizer Inc		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Toyota Motor Credit		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Union Bank		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Wells Fargo & Co		500,000	0.6%			5.0%	Yes	5 Years	Yes
3M		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Microsoft		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Chevron		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Exxon Mobil		1,000,000	1.2%			5.0%	Yes	5 Years	Yes
Total Medium Term Notes (12)		\$12,500,000	14.7%			20.0%	Yes		
Federal Agencies									
Federal Home Loan Bank (FHLB)		\$10,000,000	11.8%			33.3%	Yes	5 Years	Yes
Federal Farm Credit (FFCB)		11,000,000	13.0%			33.3%	Yes	5 Years	Yes
Fannie Mae (FNMA)		11,000,000	13.0%			33.3%	Yes	5 Years	Yes
Freddie Mac (FHLMC)		7,000,000	8.3%			33.3%	Yes	5 Years	Yes
Tenn Valley Authority (TVA)		3,000,000	3.5%			33.3%	Yes	5 Years	Yes
Total Federal Agencies (5)		\$42,000,000	49.5%			60.0%	Yes	5 Years	Yes
Total Portfolio		\$84,796,000	100.0%						