



Agenda Date: 11-07-2017

Agenda Item: 3c

Approved:

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KEVIN MIZUNO, FINANCE MANAGER

DATE: SEPTEMBER 17, 2017

SUBJECT: INVESTMENT PORTFOLIO REPORT – FIRST QUARTER FY 2017-18

RECOMMENDATION

It is recommended the City Council accept the City Investment Portfolio Report for the first quarter of fiscal year 2017-18 ending September 30, 2017.

BACKGROUND

Pursuant to the section XIII of the City of Clayton Investment Policy, last revised on April 21, 2015, the Finance Manager is required to submit a quarterly investment report to the City Council. This quarterly report is also designed to meet the local agency reporting requirements outlined in *California Government Code* section 53646. The first quarter 2017-18 fiscal year report is provided herein.

DISCUSSION

With the first quarter of the fiscal year completed, interest earnings for the General Fund is \$20,067, or 25.08% of forecasted interest revenues per the 2017-18 fiscal year adopted budget of \$80,000. City-wide investment earnings solely attributable to pooled investments (i.e. not related to cash with fiscal agents such as bond proceeds) through the first quarter of fiscal year 2017-18 totaled \$43,001. Approximately 1.66% of the current City Investment Portfolio is invested in Local Agency Investment Funds (LAIF). The LAIF quarterly apportionment rate hit a milestone this quarter at 1.07%, which is the first time the rate has been in excess of one percent since the quarter ending June 30, 2009, or over eight years ago. This quarter's apportionment rate represents an increase of 0.15% from a rate of 0.92% in the preceding quarter. Investments in certificates of deposit comprised approximately 88.17% of the City investment portfolio as of the quarter ended September 30, 2017 and were the highest yielding investment type with a collective weighted average interest rate of 1.68%. Approximately 4.48% of the Portfolio is made up of cash deposits and low interest bearing money market mutual funds available for normal operating cash flow purposes. Federal

Agency Notes, authorized by the revised April 21, 2015 investment policy, were the second highest yielding investment type making up approximately 5.69% of the portfolio with a weighted average interest rate of 1.50%. This continued small proportion of government agency notes in the Portfolio is due to several government agency note investments being called over the past two years following prior Fed announcements that “long-postponed interest rate growth will be addressed cautiously with any increases to come slowly, if at all”. Since then, the City’s investment strategy has shifted more heavily to non-callable certificates of deposit, where interest rates and other terms have been more favorable to the City. Eventually, the Portfolio’s proportional share of federal agency notes is expected to increase assuming federal interest rates continue to climb and the likelihood of government agency note calls is reduced.

The market value of the total investment portfolio was approximately \$12,284,763, which is \$13,087 (or 0.11%) lower than total carrying value as of September 30, 2017. The fair value is lower than the carrying value given the current environment of rising interest rates paired with the City’s Portfolio being primarily comprised of fixed income investments expected to be held to maturity. This consistent marginal difference demonstrates how the conservative nature of the City’s investment strategy mitigates the risk of the City incurring large unrealized losses in market declines. Simultaneously, given less risk being incurred, more predictable and modest investment returns will be realized following this same strategy.

In conclusion, for the first quarter ending September 30, 2017, the City of Clayton Investment Portfolio is being managed in accordance with the City’s investment policy. In addition, the City’s cash management program provides sufficient liquidity to meet the next six month’s expenditures. The attached City of Clayton Investment Holdings Summary – First Quarter of Fiscal Year 2017-18 (Attachment 1) provides additional analysis and the specific investment reporting criteria required by *California Government Code* section 53646.

FISCAL IMPACT

The acceptance of this report has no direct fiscal impact to the City of Clayton.

Respectively submitted,



T. Kevin Mizuno, CPA
Finance Manager

Attachment 1: City of Clayton Investment Holdings Summary – Fourth Quarter of Fiscal Year 2017-18
(July 1, 2017 – September 30, 2017)

City of Clayton
Investment Holdings Summary
Quarter Ending: September 30, 2017

ATTACHMENT 1

Investment Account	Investment Type	Institution	CUSIP	Carrying Value	Rate	Current Yield	Settlement Date	Maturity Date	Market Value
Local Agency Investment Fund (LAIF)	Local Agency Pool	LAIF	n/a	204,034.55	1.07%	1.07%	n/a	n/a	203,839.10
UBS Financial Services Inc.	Cash	BS Bank Sa Deposit Account	n/a	-	0.00%	0.00%	n/a	n/a	-
	Money Market Fund	RMA Government Portfolio	n/a	5,094.96	0.01%	0.01%	n/a	n/a	5,094.96
	Certificate of Deposit	Capital One Bank, VA	140420PP9	99,000.00	1.35%	1.35%	10/1/14	10/2/17	99,000.99
	Certificate of Deposit	Dollar Bk, PA	25665QAM7	198,000.00	1.20%	1.20%	11/17/14	11/17/17	198,053.46
	Certificate of Deposit	Citibank, NA, SD	17312QF87	145,000.00	1.25%	1.25%	7/6/17	12/14/17	145,052.20
	Certificate of Deposit	Banco Santander, PR	059646RZ4	245,000.00	1.20%	1.20%	1/23/15	1/23/18	245,267.05
	Certificate of Deposit	Oriental B&T, PR	686184WU2	200,000.00	1.15%	1.15%	2/10/16	2/20/18	200,028.00
	Certificate of Deposit	First Bus Bk, WI	31938QK78	200,000.00	1.15%	1.15%	3/31/15	4/2/18	199,900.00
	Certificate of Deposit	American Exp Cent, UT	02587DPT9	100,000.00	1.70%	1.70%	7/5/13	7/5/18	100,013.00
	Certificate of Deposit	Compass Bank, AL	20451PAU0	150,000.00	1.55%	1.55%	7/10/13	7/10/18	150,198.00
	Certificate of Deposit	Goldman Sachs Bank, NY	38147JHW5	100,000.00	1.75%	1.74%	7/10/13	7/10/18	100,288.00
	Certificate of Deposit	Cit Bank, UT	17284CHW7	146,000.00	1.80%	1.79%	7/17/13	7/17/18	146,475.96
	Certificate of Deposit	First Financial NW, WA	32022MAG3	100,000.00	1.14%	1.15%	1/28/16	8/20/18	99,739.00
	Certificate of Deposit	Bank Baroda New York, NY	0606245Q2	247,000.00	2.05%	2.04%	10/18/13	10/18/18	248,106.56
	Certificate of Deposit	Sallie Mae Bank, UT	79545QS7	147,000.00	2.05%	2.04%	10/23/13	10/23/18	147,740.88
	Certificate of Deposit	American Express C, UT	02587DWJ3	100,000.00	2.00%	1.99%	11/28/14	11/28/18	100,454.00
	Certificate of Deposit	Sallie Mae Bank, UT	79545QRT4	100,000.00	2.00%	1.99%	12/11/13	12/11/18	100,537.00
	Certificate of Deposit	Keybank NA, IN	49306SVY9	100,000.00	1.53%	1.54%	1/20/16	1/22/19	100,418.00
	Certificate of Deposit	Discover Bank, DE	254672CC6	150,000.00	1.60%	1.60%	1/28/15	1/28/19	150,054.00
	Certificate of Deposit	Preferred Bank, CA	740367ER4	197,000.00	1.20%	1.20%	3/9/16	3/29/19	196,523.26
	Certificate of Deposit	First Savings Bank, IN	33621LBV4	99,000.00	1.15%	1.16%	5/4/16	5/24/19	98,285.22
	Certificate of Deposit	UBS Bank, UT	90348JAS9	200,000.00	1.20%	1.21%	6/9/16	6/17/19	198,458.00
	Certificate of Deposit	Discover Bank, DE	254671ZB9	100,000.00	2.00%	1.99%	7/9/14	7/9/19	100,581.00
	Certificate of Deposit	Synchrony Bank, UT	87164XBQ8	100,000.00	2.05%	2.04%	7/11/14	7/11/19	100,581.00
	Certificate of Deposit	First Financial NW, WA	32022MAJ7	147,000.00	1.45%	1.49%	2/10/16	8/19/19	146,376.72
	Certificate of Deposit	Third Fed S&L Assn, OH	88413QAY4	200,000.00	1.50%	1.46%	2/19/15	8/19/19	201,502.00
	Certificate of Deposit	Park Natl Bk Newar, OH	700654AT3	240,000.00	2.15%	2.14%	9/12/14	9/12/19	241,420.80
	Certificate of Deposit	Gulf Coast B&T, LA	402194FB5	99,000.00	1.25%	1.27%	10/14/16	10/15/19	97,771.41
	Certificate of Deposit	GE Capital Bank UT	36162YF24	145,000.00	1.80%	1.78%	1/16/15	1/16/20	146,368.80
	Certificate of Deposit	Mercantil Comm Ban, FL	58733AEJ4	100,000.00	1.90%	1.89%	8/15/17	3/2/20	100,266.00
	Certificate of Deposit	BMW Bank NA, UT	05580AHL1	198,000.00	1.80%	1.80%	4/12/17	4/21/20	197,920.80
	Certificate of Deposit	Wells Fargo Bk Na Sd Us	94986TTT4	197,000.00	1.25%	1.25%	4/30/15	4/30/20	196,950.75
	Certificate of Deposit	Washington Trust, RI	940637HX2	99,000.00	1.45%	1.46%	11/18/16	5/18/20	98,031.78
	Certificate of Deposit	Comenity Bank, DE	981996XS5	100,000.00	2.30%	2.31%	6/30/15	7/1/20	99,587.00
	Certificate of Deposit	World's Foremost B, NE	915991RE5	200,000.00	2.30%	2.32%	8/6/15	8/6/20	198,574.00
	Certificate of Deposit	Merrick Bk, UT	59013JHE2	149,000.00	1.90%	1.90%	8/20/15	8/20/20	149,065.56
	Certificate of Deposit	JP Morgan Chase, OH	48125YZB3	200,000.00	1.25%	1.25%	1/26/16	2/10/21	200,068.00
	Certificate of Deposit	Synchrony Bank, UT	87164XLH7	94,000.00	1.70%	1.70%	2/25/16	3/4/21	93,853.36
	Certificate of Deposit	Barclays Bank, DE	06740KKC0	100,000.00	2.00%	2.00%	7/5/17	7/12/21	100,137.00
	Certificate of Deposit	Comenity Cap Bank UT	20033AU2	245,000.00	2.00%	2.00%	7/13/17	7/16/21	245,335.65
	Certificate of Deposit	UBS Bank, UT	90348JAU4	50,000.00	1.50%	1.53%	7/20/16	7/20/21	49,059.50
	Certificate of Deposit	Synchrony Bank, UT	87164XNA0	50,000.00	1.45%	1.48%	7/22/16	7/22/21	49,040.50
	Certificate of Deposit	Medallion Bank, UT	58403B5Q5	198,000.00	2.05%	2.05%	12/20/16	12/16/21	198,055.44
	Certificate of Deposit	Mercantile Comm Bank	58733ADT3	150,000.00	2.10%	2.10%	1/27/17	1/27/22	150,133.50
	Certificate of Deposit	Texas Exchange Bank, TX	88241TBD1	150,000.00	2.25%	2.25%	3/28/17	3/28/22	150,142.50
	Certificate of Deposit	First Bank Highland, IL	319141HN0	247,000.00	2.20%	2.21%	8/28/17	9/7/22	246,224.42
	Government Agency	FHLMC	3134G8VZ9	250,000.00	1.25%	1.26%	3/29/16	4/28/21	247,092.50
	Total UBS Financial Services Inc.			6,836,094.96					6,833,827.53

City of Clayton
Investment Holdings Summary
Quarter Ending: September 30, 2017

ATTACHMENT 1

Investment Account	Investment Type	Institution	CUSIP	Carrying Value	Rate	Current Yield	Settlement Date	Maturity Date	Market Value
Morgan Stanley	Money Market Fund	Morgan Stanley	n/a	250,573.44	0.01%	0.01%	n/a	n/a	250,573.44
	Certificate of Deposit	Investors Savings Bank, NJ	46176PDY8	100,000.00	1.20%	0.60%	3/26/15	3/26/18	99,980.00
	Certificate of Deposit	Bank of North Carolina, NC	06414QUC1	200,000.00	1.50%	0.87%	1/16/15	4/16/18	200,254.00
	Certificate of Deposit	Bank Leumi, NY	063248FQ6	100,000.00	1.05%	1.05%	6/23/16	6/15/18	99,778.00
	Certificate of Deposit	BMO Harris, IL	05581WHF5	197,000.00	1.05%	0.52%	6/23/16	6/22/18	196,535.08
	Certificate of Deposit	Compass Bank, AL	20451PMD5	100,000.00	1.50%	1.49%	6/30/15	7/2/18	100,100.00
	Certificate of Deposit	Mercantile Bank of Grand Rapids, MI	58740XYT1	147,000.00	1.65%	1.64%	8/14/13	8/14/18	147,662.97
	Certificate of Deposit	First Bank PR Santurce, PR	33767AUJ8	50,000.00	1.45%	1.45%	1/20/16	1/22/19	49,922.50
	Certificate of Deposit	Webster Bank, CT	94768NKJ2	100,000.00	1.35%	1.34%	1/20/16	1/28/19	100,274.00
	Certificate of Deposit	Homebank, NA	43738AFU5	200,000.00	1.50%	1.49%	3/30/15	3/29/19	200,642.00
	Certificate of Deposit	Ally Bank, UT	02006LZR7	100,000.00	1.20%	1.20%	4/14/16	4/15/19	99,646.00
	Certificate of Deposit	State Bank of India, ILL	856283YN0	198,000.00	1.65%	1.64%	5/28/15	5/28/19	198,013.86
	Certificate of Deposit	First Business Bank, WI	31938QL85	50,000.00	1.50%	1.50%	6/11/15	6/11/19	49,880.50
	Certificate of Deposit	Ally Bank, UT	02006LE66	148,000.00	1.25%	1.26%	6/23/16	6/24/19	146,814.52
	Certificate of Deposit	Barclays Bank, DE	06740KHK6	149,000.00	2.10%	2.08%	7/23/14	7/23/19	149,864.20
	Certificate of Deposit	American Express Bank FSB, UT	02587CAJ9	247,000.00	2.00%	1.99%	7/24/14	7/24/19	247,936.13
	Certificate of Deposit	BMW, UT	05580afa7	50,000.00	1.20%	1.21%	8/26/16	8/26/19	49,435.00
	Certificate of Deposit	Comenity Bank, DE	20099A7A9	100,000.00	2.10%	2.06%	8/27/14	8/27/19	101,616.00
	Certificate of Deposit	JPM, OH	48126XCP8	48,000.00	1.25%	1.26%	8/31/16	8/31/19	47,471.52
	Certificate of Deposit	Capital One Bank, VA	140420QF0	130,000.00	2.15%	2.13%	10/16/14	10/16/19	130,989.30
	Certificate of Deposit	State Bk India, NY	8562842F8	50,000.00	2.25%	2.22%	8/27/14	10/17/19	50,541.00
	Certificate of Deposit	The Privatebank & Trust Co., IL	74267GUU9	100,000.00	1.90%	1.88%	1/23/15	1/23/20	100,895.00
	Certificate of Deposit	American Express Centurion Bank, UT	02587DXE3	47,000.00	1.95%	1.94%	1/30/15	1/30/20	47,053.11
	Certificate of Deposit	Peoples United Bank, CT	71270QML7	151,000.00	1.75%	1.73%	3/4/15	3/4/20	151,902.98
	Certificate of Deposit	Everbank, FL	29976DVV7	200,000.00	1.75%	1.75%	3/30/15	3/30/20	199,740.00
	Certificate of Deposit	CIT Bank, UT	17284DBM3	50,000.00	1.98%	1.99%	6/3/15	6/3/20	50,207.50
	Certificate of Deposit	Capital One NA USA, VA (4297)	14042E4Y3	245,000.00	2.22%	2.23%	7/22/15	7/22/20	247,219.70
	Certificate of Deposit	Beneficial Mut, PA	08173QBT2	200,000.00	1.37%	1.37%	10/7/16	10/7/20	196,272.00
	Certificate of Deposit	Wells Fargo, SD	9497485W3	50,000.00	1.77%	1.77%	6/17/16	6/17/21	49,362.50
	Certificate of Deposit	1st Internet Bank Indianapolis, IN	32056GCP3	100,000.00	1.95%	1.95%	7/14/17	7/14/21	99,955.00
	Certificate of Deposit	First Bank PR Santurce, PR	33767A4K4	157,000.00	2.05%	2.04%	8/25/17	8/25/21	157,469.43
	Certificate of Deposit	Enerbank USA, UT	29266N3H8	50,000.00	1.48%	1.47%	8/26/16	8/26/21	49,022.00
	Certificate of Deposit	Privatebank, IL	74267GVM6	147,000.00	1.53%	1.52%	8/30/16	8/30/21	144,174.66
	Certificate of Deposit	Franklin Syn Bank, TN	35471TCV2	204,000.00	2.00%	2.00%	1/12/17	1/31/22	203,306.40
	Certificate of Deposit	Live Oak Banking, NC	538036CM4	97,000.00	2.25%	2.23%	4/7/17	4/7/22	97,468.51
	Government Agency	Federal Farm Credit Bank	3133EGEX9	200,000.00	1.67%	1.70%	6/9/16	6/14/21	195,688.00
	Government Agency	Federal Home Loan Bank	3130A8HH9	250,000.00	1.62%	1.65%	6/16/16	6/23/21	244,282.50
	Total Morgan Stanley			4,962,573.44					4,951,949.31
Bank of America (book balance)	Cash (checking account)	Bank of America		295,147.24	0.00%	0.00%	n/a	n/a	295,147.24

Broker / Institution	Carrying Value	Percentage of Portfolio	Weighted Average Yield to Maturity	W.A.M. (yrs)	Market Value
Local Agency Investment Fund (LAIF)	204,035	1.66%	1.07%	0.64	203,839
UBS Financial Services Inc.	6,836,095	55.59%	1.66%	2.35	6,833,828
Morgan Stanley	4,962,573	40.35%	1.60%	2.44	4,951,949
Bank of America (book balance)	295,147	2.40%	0.00%	0.00	295,147
Total investment Portfolio	12,297,850	100.00%			12,284,763
2017-18 Budgeted Interest - General Fund	\$	80,000			
2017-18 Actual Interest Revenue to date (7/1/17 - 9/30/17)	\$	20,067			
Percent of General Fund Budget Realized		25.08%			
Quarterly Weighted Average Annual Yield*		1.59%			
2017-18 Total Pooled Investment Income To Date (7/1/17 - 9/30/17)	\$	43,001			

*This calculation excludes the City's non-interest bearing pooled checking account with Bank of America

I verify that this investment portfolio is in conformity with State laws and the City of Clayton's investment policy. The City's cash management program provides sufficient liquidity to meet the next six month's expenditures.

 10/17/17
Kevin Mizuno, Finance Manager Date

 10/26/17
Hank Stratford, City Treasurer Date