




Agenda Date: 9-04-2018

Agenda Item: 3C

Approved: 

Gary A. Napper
City Manager

STAFF REPORT

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KEVIN MIZUNO, FINANCE MANAGER

DATE: September 4, 2018

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

RECOMMENDATION

It is recommended the City Council accept the City Investment Portfolio Report for the fourth quarter of fiscal year 2017-18 ending June 30, 2018.

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 fourth quarter 2017-18 fiscal year report is provided herein.

DISCUSSION

With the fourth quarter of the fiscal year completed, annual interest earnings for the General Fund is \$93,749, or 117.19% of forecasted General Fund 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 fourth quarter of fiscal year 2017-18 totaled \$213,467. Approximately 13.48% of the current City Investment Pool (the Pool) is invested in Local Agency Investment Funds (LAIF). The LAIF quarterly apportionment rate was 1.90%, which is a noteworthy increase from a rate of 1.51% in just the preceding quarter. This is also a substantial improvement compared to the LAIF apportionment rate of 0.92% one year ago on June 30, 2017. Investments in certificates of deposit comprised approximately 77.46% of the City investment portfolio as of the quarter ended June 30, 2018 and were the highest yielding investment type with a collective weighted average interest rate of 1.94%. Approximately 3.02% of the pool is made up of cash deposits and low interest bearing money market mutual funds, liquid and 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 6.04% of the portfolio with a weighted average interest rate of 1.90%.

The market value of the total investment portfolio was approximately \$14,704,068, which is \$194,513 lower than total carrying value as of June 30, 2018. The unrealized loss in fair market value is higher than in recent quarterly portfolio reports given the City's heavy investment in two to five year fixed income investments during a prior of rising interest rates. The relatively marginal difference (-1.30%) 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 accordance with Section XVI of the City Investment Policy, the policy shall be reviewed at least annually by the City Treasurer and the City Council to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return on investments, along with its relevance to current law, financial and economic trends, and meets the needs of the City. Upon the City Treasurer's review and authorization of the fourth quarter investment portfolio on August 23, 2018, the current status of the investment policy was also considered. At this time the City Treasurer is not recommending any change to the current Investment Policy.

In conclusion, for the fourth quarter ending June 30, 2018, 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 – Fourth 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.

City of Clayton
Investment Holdings Summary
Quarter Ending: June 30, 2018

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	Local Agency Investment Fund	n/a	2,008,571.51	1.90%	1.90%	n/a	n/a	2,004,809.19
UBS Financial Services Inc.	Cash	BS Bank 5a Deposit Account	n/a	-	0.00%	0.00%	n/a	n/a	-
	Money Market Fund	RMA Government Portfolio	n/a	6,287.26	1.27%	1.27%	n/a	n/a	6,287.26
	Certificate of Deposit	American Exp Cent, UT	02587DPT9	100,000.00	1.70%	1.70%	7/5/13	7/5/18	99,992.00
	Certificate of Deposit	Compass Bank, AL	20451PAU0	150,000.00	1.55%	1.55%	7/10/13	7/10/18	149,985.00
	Certificate of Deposit	Goldman Sachs Bank, NY	38147JHW5	100,000.00	1.75%	1.75%	7/10/13	7/10/18	99,996.00
	Certificate of Deposit	Cit Bank, UT	17284CHW7	146,000.00	1.80%	1.80%	7/17/13	7/17/18	145,992.70
	Certificate of Deposit	First Financial NW, WA	32022MAG3	100,000.00	1.14%	1.15%	1/28/16	8/20/18	99,891.00
	Certificate of Deposit	Bank Baroda New York, NY	0606245Q2	247,000.00	2.05%	2.05%	10/18/13	10/18/18	246,948.13
	Certificate of Deposit	Sallie Mae Bank, UT	795450QS7	147,000.00	2.05%	2.05%	10/23/13	10/23/18	146,988.24
	Certificate of Deposit	American Express C, UT	02587DWJ3	100,000.00	2.00%	2.00%	11/28/14	11/28/18	99,952.00
	Certificate of Deposit	Sallie Mae Bank, UT	795450RT4	100,000.00	2.00%	2.00%	12/11/13	12/11/18	99,958.00
	Certificate of Deposit	Keybank NA, IN	493065VY9	100,000.00	1.53%	1.55%	1/20/16	1/22/19	99,849.00
	Certificate of Deposit	Discover Bank, DE	25467ZGC6	150,000.00	1.60%	1.61%	1/28/15	1/28/19	149,508.00
	Certificate of Deposit	Preferred Bank, CA	740367ER4	197,000.00	1.20%	1.21%	3/9/16	3/29/19	195,786.48
	Certificate of Deposit	First Savings Bank, IN	33621LBV4	99,000.00	1.15%	1.16%	5/4/16	5/24/19	97,984.26
	Certificate of Deposit	UBS Bank, UT	90348JAS9	200,000.00	1.20%	1.21%	6/9/16	6/17/19	197,750.00
	Certificate of Deposit	Discover Bank, DE	2546712E9	100,000.00	2.00%	2.01%	7/9/14	7/9/19	99,592.00
	Certificate of Deposit	Synchrony Bank, UT	87164XBQ8	100,000.00	2.05%	2.06%	7/11/14	7/11/19	99,588.00
	Certificate of Deposit	First Financial NW, WA	32022MAJ7	147,000.00	1.45%	1.41%	2/10/16	8/19/19	145,363.89
	Certificate of Deposit	Third Fed S&L Assn, OH	88413QAY4	200,000.00	1.50%	1.51%	2/19/15	8/19/19	199,184.00
	Certificate of Deposit	Park Natl Bk Newar, OH	700654AT3	240,000.00	2.15%	2.16%	9/12/14	9/12/19	238,665.60
	Certificate of Deposit	Gulf Coast B&T, LA	402194FB5	99,000.00	1.25%	1.27%	10/14/16	10/15/19	97,214.04
	Certificate of Deposit	GE Capital Bank UT	36162YF24	145,000.00	1.80%	1.81%	1/16/15	1/16/20	144,037.20
	Certificate of Deposit	Mercantil Comm Ban, FL	58733AEJ4	100,000.00	1.90%	1.92%	8/15/17	3/2/20	98,738.00
	Certificate of Deposit	BMW Bank NA, UT	05580AHL1	198,000.00	1.80%	1.83%	4/12/17	4/21/20	194,750.82
	Certificate of Deposit	Wells Fargo Bk Na Sd Us	94986TTT4	197,000.00	1.25%	2.00%	4/30/15	4/30/20	196,546.90
	Certificate of Deposit	Washington Trust, RI	940637HX2	99,000.00	1.45%	1.49%	11/18/16	5/18/20	96,616.08
	Certificate of Deposit	Comenity Bank, DE	981996XS5	100,000.00	2.30%	2.33%	6/30/15	7/1/20	98,788.00
	Certificate of Deposit	World's Foremost B, NE	9159919E5	200,000.00	2.30%	2.34%	8/6/15	8/6/20	196,976.00
	Certificate of Deposit	Merrick Bk, UT	59013JHE2	149,000.00	1.90%	1.94%	8/20/15	8/20/20	146,097.48
	Certificate of Deposit	Morgan Stanley Bk, UT	61747MCG96	245,000.00	2.45%	2.48%	1/18/18	1/25/21	242,165.35
	Certificate of Deposit	JP Morgan Chase, OH	48125VZB3	200,000.00	1.25%	1.52%	1/26/16	2/10/21	197,438.00
	Certificate of Deposit	Synchrony Bank, UT	87164XLH7	94,000.00	1.70%	1.75%	2/25/16	3/4/21	91,460.12
	Certificate of Deposit	BLC Comenity Bank, WI	05549CGN4	198,000.00	2.00%	2.06%	11/13/17	5/28/21	192,570.84
	Certificate of Deposit	Webbank, UT	947547KC8	200,000.00	3.00%	3.00%	5/18/18	5/28/21	200,094.00
	Certificate of Deposit	Barclays Bank, DE	06740KCC0	100,000.00	2.00%	2.06%	7/12/17	7/12/21	97,106.00
	Certificate of Deposit	Comenity Cap Bank UT	20033AUX2	245,000.00	2.00%	2.06%	7/16/17	7/16/21	237,833.75
	Certificate of Deposit	UBS Bank, UT	90348JAU4	50,000.00	1.50%	1.57%	7/20/16	7/20/21	47,729.50
	Certificate of Deposit	Synchrony Bank, UT	87164XNA0	50,000.00	1.45%	1.52%	7/22/16	7/22/21	47,722.00
	Certificate of Deposit	Medallion Bank, UT	58403B5Q5	198,000.00	2.05%	2.12%	12/16/17	12/16/21	191,450.16
	Certificate of Deposit	Mercantile Comm Bank	58733ADT3	150,000.00	2.10%	2.17%	1/27/17	1/27/22	145,066.50
	Certificate of Deposit	Texas Exchange Bank, TX	88241TBD1	150,000.00	2.25%	2.32%	3/28/17	3/28/22	145,534.50
	Certificate of Deposit	First National Bank of McGregor, TX	36A99U934	145,000.00	2.35%	2.39%	12/20/18	6/20/22	142,353.75
	Certificate of Deposit	First Bank Highland, IL	319141HNO	247,000.00	2.20%	2.29%	9/7/17	9/7/22	237,789.73
	Certificate of Deposit	Capital One Bank	1404205H9	99,000.00	2.30%	2.38%	10/4/17	10/4/22	95,575.59
	Certificate of Deposit	Belmont Svgs Bk, MA	080515CH0	200,000.00	2.70%	2.77%	2/13/18	2/28/23	195,288.00
	Certificate of Deposit	Citibank, NA SD	17312QJ26	200,000.00	2.90%	2.95%	4/2/18	4/11/23	196,774.00
	Government Agency	FHLMC	3134G8VZ9	250,000.00	1.38%	1.41%	3/29/16	4/28/21	244,335.00
	Total UBS Financial Services Inc.			<u>7,037,287.26</u>					<u>6,937,282.87</u>

City of Clayton
Investment Holdings Summary
Quarter Ending: June 30, 2018

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	9,174.67	0.15%		n/a	n/a	9,174.67
	Certificate of Deposit	Compass Bank, AL	20451PMD5	100,000.00	1.50%	0.75%	6/30/15	7/2/18	99,997.00
	Certificate of Deposit	Mercantile Bank of Grand Rapids, MI	58740XYT1	147,000.00	1.65%	0.83%	8/14/13	8/14/18	147,005.88
	Certificate of Deposit	First Bank PR Santurce, PR	33767AUJ8	50,000.00	1.45%	0.85%	1/20/16	1/22/19	49,801.00
	Certificate of Deposit	Webster Bank, CT	94768NKJ2	100,000.00	1.35%	1.20%	1/20/16	1/28/19	99,775.00
	Certificate of Deposit	Homebank, NA	43738AFU5	200,000.00	1.50%	1.13%	3/30/15	3/29/19	199,324.00
	Certificate of Deposit	Ally Bank, UT	02006LZR7	100,000.00	1.20%	1.21%	4/14/16	4/15/19	99,278.00
	Certificate of Deposit	State Bank of India, ILL	856283YN0	198,000.00	1.65%	1.66%	5/28/15	5/28/19	196,732.80
	Certificate of Deposit	First Business Bank, WI	31938QL85	50,000.00	1.50%	1.51%	6/11/15	6/11/19	49,594.00
	Certificate of Deposit	Ally Bank, UT	02006LE66	148,000.00	1.25%	1.26%	6/23/16	6/24/19	146,271.36
	Certificate of Deposit	Barclays Bank, DE	06740CHK6	149,000.00	2.10%	2.11%	7/23/14	7/23/19	148,344.40
	Certificate of Deposit	American Express Bank FSB, UT	02587CAJ9	247,000.00	2.00%	2.01%	7/24/14	7/24/19	245,905.79
	Certificate of Deposit	BMW, UT	05580afa7	50,000.00	1.20%	1.22%	8/26/16	8/26/19	49,220.50
	Certificate of Deposit	Comenity Bank, DE	20099A7A9	100,000.00	2.10%	2.12%	8/27/14	8/27/19	99,257.72
	Certificate of Deposit	JPM, OH	48126XCP8	48,000.00	1.25%	1.27%	8/31/16	8/31/19	47,248.80
	Certificate of Deposit	Capital One Bank, VA	14042QF0	130,000.00	2.15%	2.16%	10/16/14	10/16/19	129,301.90
	Certificate of Deposit	State Bk India, NY	8562842P8	50,000.00	2.25%	2.26%	8/27/14	10/17/19	49,832.00
	Certificate of Deposit	The Privatebank & Trust Co., IL	74267GUU9	100,000.00	1.90%	1.91%	1/23/15	1/23/20	99,285.00
	Certificate of Deposit	American Express Centurion Bank, UT	02587DXE3	47,000.00	1.95%	1.97%	1/30/15	1/30/20	46,453.39
	Certificate of Deposit	Peoples United Bank, CT	71270QML7	151,000.00	1.75%	1.77%	3/4/15	3/4/20	149,423.56
	Certificate of Deposit	Everbank, FL	29976DVW7	200,000.00	1.75%	1.78%	3/30/15	3/30/20	196,738.00
	Certificate of Deposit	CIT Bank, UT	17284DBM3	50,000.00	1.98%	2.03%	6/3/15	6/3/20	49,268.00
	Certificate of Deposit	Capital One NA McLean, VA	14042E4Y3	245,000.00	2.22%	2.28%	7/22/15	7/22/20	241,957.10
	Certificate of Deposit	Beneficial Mut, PA	08173QBT2	200,000.00	1.37%	1.40%	10/7/16	10/7/20	193,026.00
	Certificate of Deposit	Connectone England Cliffs, NJ	20786ACD5	100,000.00	2.60%	2.62%	3/28/18	3/29/21	99,070.00
	Certificate of Deposit	Townebank Portsmouth, VA	89214PBL2	200,000.00	2.80%	2.81%	4/19/18	4/30/21	199,080.00
	Certificate of Deposit	Wells Fargo, SD	9497485W3	50,000.00	1.77%	1.82%	6/17/16	6/17/21	48,028.50
	Certificate of Deposit	BAR HBR Bank & TR, ME	066851WF9	100,000.00	3.00%	3.00%	6/19/18	6/29/21	100,000.00
	Certificate of Deposit	1st Internet Bank Indianapolis, IN	32056GCP3	100,000.00	1.95%	2.01%	7/14/17	7/14/21	96,937.00
	Certificate of Deposit	First Bank PR Santurce, PR	33767A4K4	157,000.00	2.05%	2.11%	8/25/17	8/25/21	152,425.02
	Certificate of Deposit	Enerbank USA, UT	29266N3H8	50,000.00	1.48%	1.52%	8/26/16	8/26/21	47,638.50
	Certificate of Deposit	Privatebank, IL	74267GVM6	147,000.00	1.53%	1.57%	8/30/16	8/30/21	140,099.82
	Certificate of Deposit	Commercial Bank Harrogate, Tenn	20143PDR8	197,000.00	3.00%	3.00%	6/19/18	9/21/21	196,826.64
	Certificate of Deposit	Franklin Syn Bank, TN	35471TCV2	204,000.00	2.00%	2.08%	1/12/17	1/31/22	196,574.40
	Certificate of Deposit	Live Oak Banking, NC	538036CM4	97,000.00	2.25%	2.32%	4/7/17	4/7/22	94,082.24
	Certificate of Deposit	Commercial Savings Bank, IA	202291AD2	247,000.00	2.10%	2.10%	10/18/17	10/18/22	236,341.95
	Certificate of Deposit	Industrial & Coml, NY	45581EAR2	250,000.00	2.65%	2.65%	2/17/18	2/14/23	243,692.50
	Government Agency	Federal Farm Credit Bank	3133EGEX9	200,000.00	1.67%	1.72%	6/9/16	6/14/21	193,700.00
	Government Agency	Federal Home Loan Bank	3130A8HH9	250,000.00	1.62%	1.67%	6/16/16	6/23/21	241,437.50
	Government Agency	Federal Home Loan Bank	3130AE6H8	200,000.00	3.15%	3.16%	5/3/18	5/2/23	199,278.00
	Total Morgan Stanley			5,418,174.67					5,327,427.94
Bank of America (book balance)	Cash (checking account)	Bank of America		434,547.75	0.00%	0.00%	n/a	n/a	434,547.75

Broker/ Institution	Carrying Value	Percentage of Portfolio	Weighted Average Yield to Maturity	W.A.M. (yrs)	Market Value
Local Agency Investment Fund (LAIF)	2,008,572	13.48%	1.90%	0.64	2,004,809
UBS Financial Services Inc.	7,037,287	47.23%	1.90%	2.05	6,937,283
Morgan Stanley	5,418,175	36.37%	1.87%	2.12	5,327,428
Bank of America (book balance)	434,548	2.92%	0.00%	0.00	434,548
Total investment Portfolio	14,898,581	100.00%			14,704,068
2017-18 Budgeted Interest - General Fund	\$	80,000			
2017-18 Actual Interest Revenue to date (7/1/17 - 6/30/18)	\$	93,749			
Percent of General Fund Budget Realized		117.19%			
Quarterly Weighted Average Annual Yield*		1.83%			
2017-18 Total Pooled Investment Income To Date (7/1/17 - 6/30/18)	\$	213,467			

*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.

T. Kevin Mizuno... 8/1/18
Kevin Mizuno, Finance Manager Date

Hank Stratford 8/28/18
Hank Stratford, City Treasurer Date