



AGENDA NO: A-6

MEETING DATE: August 14, 2018

Staff Report

TO: Honorable Mayor and City Council

DATE: July 23, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Receipt of Third Quarter Investment Report (period ending March 31, 2018) for Fiscal Year 2017/18

RECOMMENDATION

Receive the attached Third Quarter Investment Report (period ending March 31, 2018) for Fiscal Year 2017/18.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

DISCUSSION

Attached for Council consideration is the Third Quarter Investment Report for FY 2017/18.

As of March 31, 2018, the City's weighted portfolio yield of 1.14% was below the Local Agency Investment Fund (LAIF) yield of 1.51%. With interest rates increasing staff will monitor rates closely and as investments mature replace those investments with an appropriate maturity and credit rating equivalent investment.

During the quarter, yields have generally been increasing anticipating continued economic growth. Passage of the new tax provisions added to investor's belief in growth in the economy and inflation, while also increasing the federal budget deficit and supply of Treasury debt. Many believe that the new tax provisions will lead to higher potential for inflation and higher future interest rates.

As such, staff's strategy will be to focus on the purchase of short-term (two years or less in maturity) investments as the rewards for longer term investments in the three to five-year maturity do not have adequate spreads to justify the risk of holding longer term maturities.

The Citizen's Finance Advisory Committee (CFAC) received the FY 2017/18 3rd Quarter Investment report on July 17, 2018 with no recommended changes.

CONCLUSION

Staff recommends the Council receive the Third Quarter Investment Report (period ending March 31, 2018) for Fiscal Year 2017/18.

ATTACHMENT

1. Third Quarter Investment Report for FY 2017/18 (period ending March 31, 2018)

Prepared By: JC

Dept Review:

City Manager Review: SC

City Attorney Review: JWP

**CITY OF MORRO BAY
 QUARTERLY PORTFOLIO PERFORMANCE
 3/31/2018**

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	MARKET VALUE	COUPON INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 7,743,195	\$ 7,743,195	1.51%	DAILY	DAILY	1
MONEY MARKET ACCOUNT:							
MM	RABOBANK - MONEY MARKET	2,531,522	2,531,522	0.20%	DAILY	DAILY	1
SWEEP	RABOBANK - SWEEP	4,099,121	4,099,121	0.05%	DAILY	DAILY	1
MM	OPUS BANK	4,044,881	4,044,881	1.59%	DAILY	DAILY	1
Government Agency							
3134G8PD5	FHLM Corp	500,003	497,548	1.350%	3/30/2016	9/30/2019	
3136G1KD0	FNMA	498,933	499,015	1.000%	6/13/2013	4/30/2018	
CERTIFICATES OF DEPOSIT:							
1404202A7	ZION BANK - CAPITAL ONE BANK	250,005	252,772	2.400%	4/12/2017	4/12/2022	1,473
902856	TBK BANK	250,000	250,000	2.050%	1/24/2017	1/11/2019	286
4100093030	LEADER BANK	250,000	250,000	1.551%	1/6/2014	1/6/2019	281
254671VW7	ZION BANK - DISCOVER BANK	250,001	251,224	2.000%	9/11/2013	9/11/2018	164
05568P5Y9	ZION BANK - BMW BANK	250,001	251,262	2.100%	10/25/2013	10/25/2018	208
36160NYZ6	ZION BANK - Synchrony Bank CD	250,001	251,661	2.150%	10/25/2013	10/25/2018	208
38148PGK7	ZION BANK - GOLDMAN SACHS BANK	250,003	245,243	1.550%	8/3/2016	8/3/2021	1,221
3090683803	STATE FARM BANK	250,000	250,000	1.980%	10/21/2013	10/21/2018	204
4923509568	PENTAGON FEDERAL CREDIT UNION	250,000	250,000	3.000%	2/5/2014	2/5/2019	311
		<u>\$ 21,667,666</u>	<u>\$ 21,667,443</u>				
					% OF LIQUID PORTFOLIO HOLDINGS	WEIGHTED AVERAGE RATE OF EARNINGS	WEIGHTED AVERAGE MATURITY
					<u>85.006%</u>	<u>1.140%</u>	<u>51</u>

Portfolio holdings as of the third quarter ended March 31, 2018, are in compliance with the current Investment Policy. With 85.006%

of the portfolio held in liquid instruments, the City's portfolio is well above the 65% to 70% target liquidity rate approved by the City Council in March 2018.