

# Staff Report

**TO:** Honorable Mayor and City Council **DATE:** November 21, 2018  
**FROM:** Jennifer Callaway, Finance Director  
**SUBJECT:** First Quarter Investment Report (period ending September 30, 2018) for Fiscal Year 2018/19

## **RECOMMENDATION**

Council receive the attached First Quarter Investment Report (period ending September 30, 2018) for Fiscal Year 2018/19.

## **FISCAL IMPACT**

There is no fiscal impact associated with this recommendation.

## **DISCUSSION**

Attached for your consideration is the First Quarter Investment Report for FY 2018/19.

As of September 30, 2018, the City's weighted portfolio yield of 1.660% was below the Local Agency Investment Fund (LAIF) yield of 2.16%. With interest rates increasing staff will work to remain more vigilant in monitoring 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. With four investments reaching maturity, the FHLM Corp on September 30, 2018, BMW Bank and Synchrony Bank both on October 25, 2018 and State Farm Bank of October 21, 2018 it is imperative that staff purchase certificates of deposits to appropriately invest the city's funds. 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.

This investment report was presented to the Citizen's Finance Advisory Committee (CFAC) on November 20, 2018 with consensus from the Committee on the report.

## **CONCLUSION**

Staff recommends that the Committee receive the First Quarter Investment Report (period ending September 30, 2018) for Fiscal Year 2018/19.

## **ATTACHMENT**

1. First Quarter Investment Report for FY 2018/19 (period ending September 30, 2018)

**CITY OF MORRO BAY**  
**QUARTERLY PORTFOLIO PERFORMANCE**  
**9/30/2018**

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	MARKET VALUE	COUPON INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 10,315,144	\$ 10,315,144	2.16%	DAILY	DAILY	1
<b>MONEY MARKET ACCOUNT:</b>							
MM	RABOBANK - MONEY MARKET	2,319,378	2,319,378	0.20%	DAILY	DAILY	1
SWEEP	RABOBANK - SWEEP	3,004,132	3,004,132	0.05%	DAILY	DAILY	1
MM	OPUS BANK	5,083,991	5,083,991	2.12%	DAILY	DAILY	1
<b>Government Agency</b>							
3134G8PD5	FHLM Corp	500,003	497,548	1.350%	3/30/2016	9/30/2019	
<b>CERTIFICATES OF DEPOSIT:</b>							
1404202A7	ZION BANK - CAPITAL ONE BANK	250,005	252,772	2.400%	4/12/2017	4/12/2022	1,290
902856	TBK BANK	250,000	250,000	2.050%	1/24/2017	1/11/2019	103
4100093030	LEADER BANK	250,000	250,000	1.551%	1/6/2014	1/6/2019	98
05568P5Y9	ZION BANK - BMW BANK	250,001	251,262	2.100%	10/25/2013	10/25/2018	25
36160NYZ6	ZION BANK - Synchrony Bank CD	250,001	251,661	2.150%	10/25/2013	10/25/2018	25
38148PGK7	ZION BANK - GOLDMAN SACHS BANK	250,003	245,243	1.550%	8/3/2016	8/3/2021	1,038
3090683803	STATE FARM BANK	250,000	250,000	1.980%	10/21/2013	10/21/2018	21
4923509568	PENTAGON FEDERAL CREDIT UNION	250,000	250,000	3.000%	2/5/2014	2/5/2019	128
		<u>\$ 23,222,657</u>	<u>\$ 23,221,130</u>				
					<b>% OF LIQUID PORTFOLIO HOLDINGS</b>	<b>WEIGHTED AVERAGE RATE OF EARNINGS</b>	<b>WEIGHTED AVERAGE MATURITY</b>
					<u>89.235%</u>	<u>1.660%</u>	<u>30</u>

Portfolio holdings as of the first quarter ended September 30, 2018, are in compliance with the current Investment Policy. With 89.235%

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.