

CITY OF YUBA CITY
STAFF REPORT

Date: June 3, 2014
To: Honorable Mayor & Members of the City Council
From: City Treasurer
Presentation By: Spencer Morrison, Accounting Manager/City Treasurer

Summary

Subject: Presentation of Investment Report – Quarter Ended March 31, 2014
Recommendation: Note & File Quarterly Investment Report
Fiscal Impact: Informational item only

Purpose:

To provide information regarding the investment of City funds.

Background:

In accordance with the City's adopted Investment Policies, staff has prepared the attached investment report for City Council review for the previous quarter (January, February, and March).

Analysis:

Portfolio Highlights:

- As of March 31, 2014, the City's overall investment portfolio (estimated market value) totaled \$84,566,284, an increase of \$11,206,064 since the previous quarter.
- Notable transactions during the quarter that affected cash flows included: 1) Receipt and deposit of the first property tax allocation of \$8.2 million, and the successor agency allocation of \$1.4 million; 2) Paid various debt service payments for \$2.1 million; and 3) receipt of an advance of state funds for the Sutter-Butte Flood Control Agency project, \$14.1 million; 4) and seven payrolls, \$8.0 million.
- The Portfolio shows a "paper loss" of \$235,336 as of March 31st. This represents the amount of money that the City would lose if it were to liquidate its entire portfolio at the end of the reporting period. However, such losses would not be realized if the investments are held until maturity (which is the City's general investment strategy).
- Portfolio interest earnings continue to remain very low. For the quarter ended 3/31/14, six investments matured or were sold with an average yield of 1.05%. The funds were re-invested in six investments with an average yield of 0.59%. This contributed to the persistently low "Weighted Average Yield to Maturity" of the City's total investment portfolio of 0.80% for the quarter.
- The City's cash flow needs will be met by the roughly \$31.3 million as of March 31st (approximately 38.8% of the "City Held Investments" portfolio value) that is currently invested in LAIF, CAMP, Umpqua and in the City's Wells Fargo account, which are wholly liquid.

Outlook: The city treasurer's office does not yet see signs pointing toward significant economic or portfolio growth. The national gross domestic product growth has slowed beyond the hopes of the experts, leaving an economy already hit hard by terrible winter weather with little optimism. A narrowing trade deficit is not enough to counter the rising joblessness with the lowest number of workforce participants in 36 years. Consumer confidence is holding steady among high unemployment and a slowing housing sector. While the Fed continues to taper, indicating its own confidence in the recovering economy, it is speaking with guarded optimism. The city has less competition from the Fed when purchasing agency securities, however there are fewer treasury bonds being issued with its coffers full of tax dollars, creating less supply and likely higher prices. Treasury bonds and agency bonds make up nearly 40 percent of the city's portfolio due to safety and the performance above certificates of deposit or money market funds. Locally, slow housing recovery and drought will continue to challenge the region and contribute to ongoing budget woes.

Summary Overview: The City's Investment portfolio continues to remain safe and stable. Each investment continues to be in compliance with State law and the City's formal Investment Policies. Our three primary objectives for the City's portfolio are safety, liquidity and then yield. With this in mind, staff continues to conservatively look for opportunities in today's volatile marketplace while remaining focused on our primary objectives.

Fiscal Impact:

Informational Item only.

Recommendation:

Staff recommends that Council note and file the Quarterly Investment Report for the period ending March 31, 2014.

Prepared and Submitted By:

/s/ Spencer Morrison

Spencer Morrison
Accounting Manager/City Treasurer

Reviewed By:

City Manager

SK

Finance

RB

City Attorney

TH



City of Yuba City

Treasurer's Quarterly Investment Report

AS PRESCRIBED BY CALIFORNIA GOVERNMENT CODE SECTION 53646

March 31, 2014

**City of Yuba City – Month-By-Month Comparison Report
March 31, 2014**

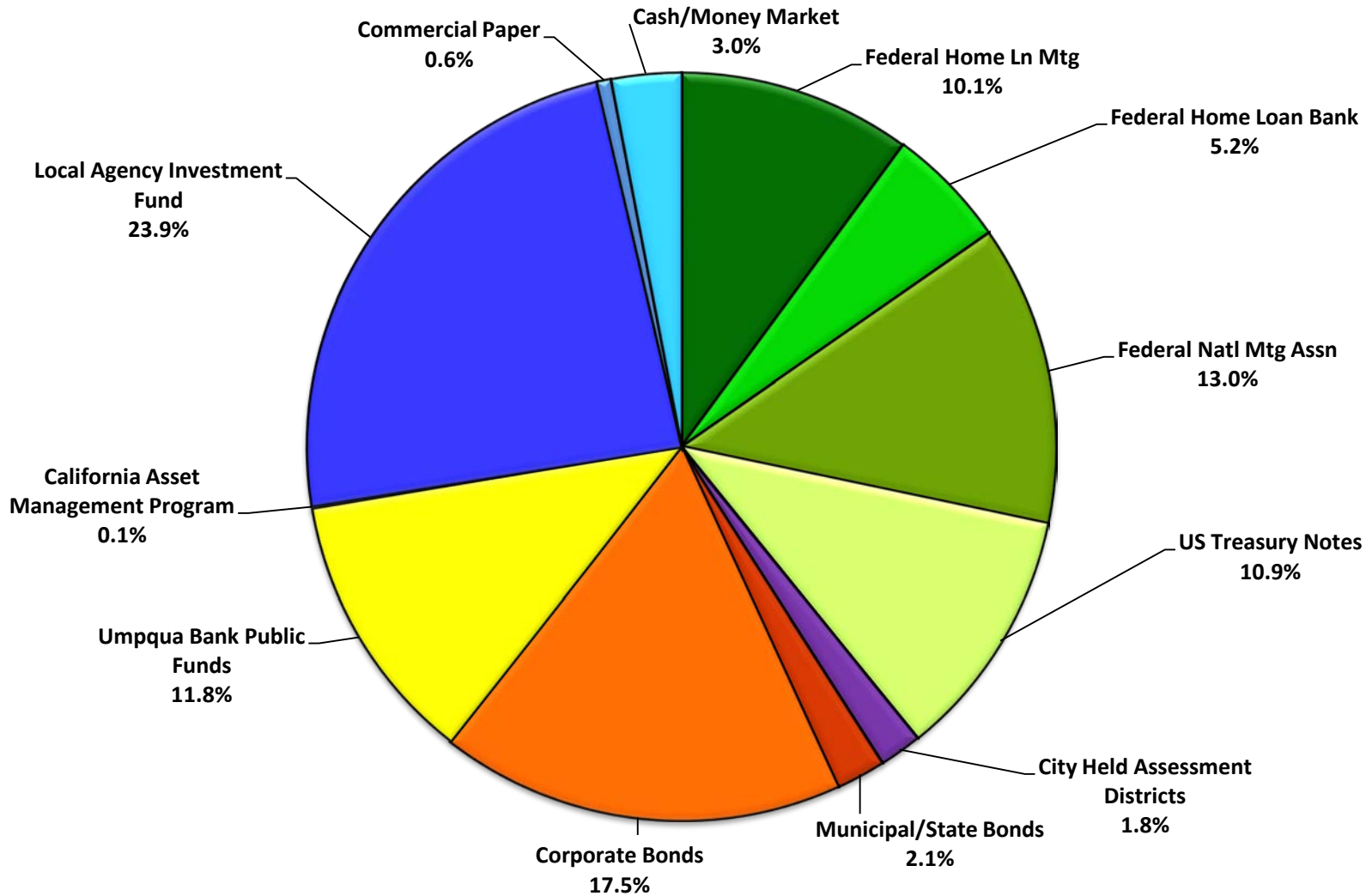
The following table provides a comparison of the portfolio for the quarter ended March 31, 2014, and the previous quarters ended June 2013, September 2013, and December, 2013.

Portfolio Comparison				
	6/30/13	9/30/13	12/31/13	3/31/14
Cost Basis	\$83,332,541	\$84,718,095	\$73,614,208	\$84,802,224
Estimated Market Value	83,001,971	84,558,628	73,360,224	84,566,284
Unrealized Gains/(Losses) ⁽¹⁾	(329,307)	(158,754)	(253,310)	(235,336)
Liquidity	36.7%	38.8%	29.2%	38.8%
Weighted Average Years: Maturity of City Held Funds	1.57 years	1.77 years	2.04 years	1.74 years
LAIF Interest Rate	0.24%	0.26%	0.26%	0.24%
CAMP Interest Rate	0.100%	0.100%	0.060%	0.060%
Umpqua Bank Public Funds Money Market Interest Rate	0.25%	0.27%	0.27%	0.24%
Portfolio: Weighted Average Yield to Maturity at Market	1.00%	0.95%	0.97%	0.80%
CPI (Annualized)	1.8%	1.2%	1.5%	TBD

Note: (1) This represents the amount of money that the City would gain if it were to liquidate its entire portfolio at the end of the reporting period. However, such gains (or losses) will not be realized if the investments are held until maturity (which is the City's historical investment strategy).

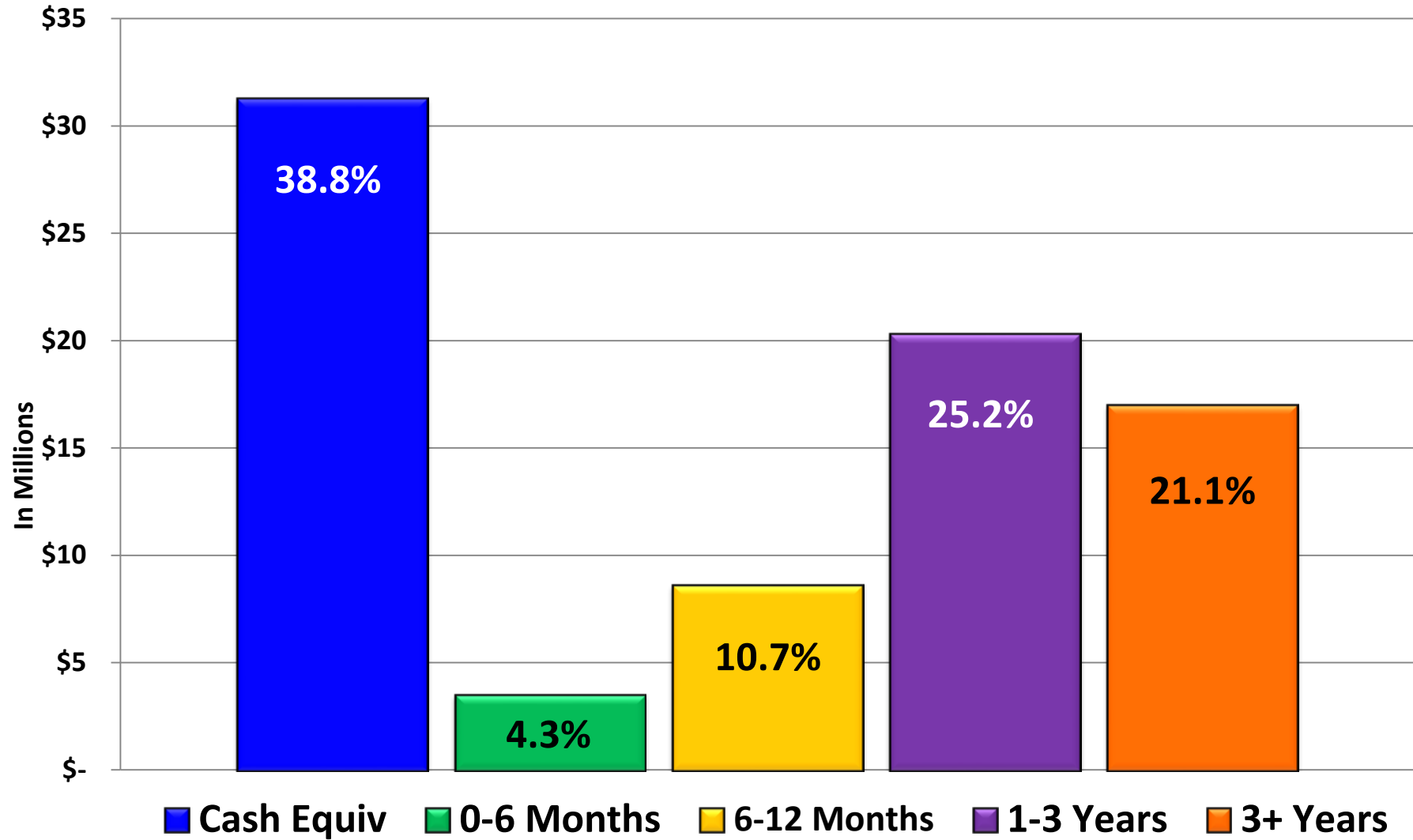
City of Yuba City – Quarterly Investment Report
March 31, 2014

Composition of City Held Investments



City of Yuba City – Quarterly Investment Report
March 31, 2014

City Held Investment Portfolio Maturity Distribution



**City of Yuba City
Monthly Investment Statement**

City Held Investments

March, 2014

No.	Description of Security	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
1	Local Agency Investment Fund (LAIF)	Daily	0.240%	0.240%	\$ 19,296,342	\$ 19,296,342	\$ -
2	Calif. Asset Management Program (CAMP)	Daily	0.060%	0.060%	102,546	102,546	-
3	Wells Fargo Money Market & Checking Accts.	Daily (Sweep)	0.000%	0.000%	1,838,051	1,838,051	-
4	Umpqua Bank Public Funds Money Market	Daily	0.240%	0.240%	9,493,235	9,493,235	-
5	Reich&Tang Money Market	Daily	0.010%	0.010%	571,842	571,842	-
6	Wal Mart Stores, Inc.	04/15/14	1.625%	1.720%	204,447	205,090	644
7	Wal Mart Stores	04/15/14	1.625%	0.882%	509,955	500,220	(9,735)
8	Barclays Discount Commercial Paper	07/07/14	0.000%	0.420%	498,431	499,730	1,299
9	US Treasury Notes	08/15/14	0.500%	0.400%	1,002,813	1,001,600	(1,213)
10	Federal Home Loan Bank	09/12/14	1.375%	0.594%	767,693	754,320	(13,373)
11	Federal Home Loan Bank	09/22/14	1.000%	0.922%	502,640	502,145	(495)
12	BNP Paribas NY BRH	11/03/14	0.450%	0.410%	575,000	575,207	207
13	Federal Home Ln Mtg	11/25/14	0.750%	0.640%	1,458,626	1,454,017	(4,609)
14	US Treasury Notes	12/15/14	0.250%	0.360%	1,270,866	1,276,441	5,575
15	General Electric	01/09/15	2.150%	0.820%	514,620	507,025	(7,595)
16	Berkshire Hathaway Fin Corp	01/15/15	4.850%	0.580%	543,460	517,650	(25,810)
17	Federal Home Ln Mtg	02/09/15	2.875%	0.790%	1,124,036	1,073,520	(50,516)
18	Bank of New York Mellon	02/20/15	1.200%	1.230%	159,854	161,131	1,277
19	US Treasury Notes	02/28/15	2.375%	0.510%	663,986	642,795	(21,190)
20	General Electric	03/04/15	4.875%	1.400%	883,816	833,376	(50,440)
21	Federal Home Loan Bank	03/13/15	2.750%	0.760%	534,800	512,250	(22,550)
22	Pfizer Inc SR Notes	03/15/15	5.350%	0.250%	1,060,510	1,044,900	(15,610)
23	Cooperative Centrale RAIF B	04/29/15	0.600%	0.610%	575,000	574,598	(403)
24	IBM Corp Notes	05/11/15	0.750%	0.830%	444,261	447,109	2,848
25	Wells Fargo & Co.	07/01/15	1.480%	0.650%	712,719	708,148	(4,571)
26	US Treasury Notes	07/31/15	1.750%	0.470%	1,871,551	1,837,476	(34,075)
27	Federal Home Loan Mtg Corp	08/19/15	0.500%	0.480%	1,675,804	1,676,642	838
28	Microsoft Corp	09/25/15	1.625%	1.545%	501,600	508,790	7,190
29	Federal Natl Mtg Assn	10/26/15	1.625%	0.980%	1,282,295	1,275,600	(6,695)
30	Bank of New York Mellon	01/15/16	2.500%	0.860%	577,231	567,611	(9,620)
31	US Treasury Notes	01/31/16	0.375%	0.310%	1,251,611	1,250,388	(1,224)
32	CA St. Go Bonds	02/01/16	1.050%	0.970%	200,676	200,724	48
33	Microsoft Corp	02/08/16	2.500%	1.550%	746,487	725,312	(21,175)
34	JP Morgan Chase & Co	02/26/16	1.125%	1.070%	750,195	752,880	2,685
35	Federal Natl Mtg Assn	03/11/16	0.750%	0.560%	502,890	501,270	(1,620)
36	General Electric Cap Corp	05/09/16	2.950%	1.100%	580,580	572,930	(7,651)
37	Toyota Motor Credit FLTN/RT	05/17/16	0.800%	0.810%	244,900	245,924	1,024
38	US Treasury Notes	07/31/16	1.500%	0.910%	514,141	510,585	(3,556)
39	Berkshire Hathaway Fin Corp	08/15/16	0.950%	1.000%	314,833	316,622	1,789
40	US Treasury Notes	08/31/16	1.000%	0.500%	936,382	933,168	(3,214)
41	Toyota Motor Credit Corp	09/15/16	2.000%	0.990%	1,028,960	1,026,590	(2,370)
42	US Treasury Notes	09/30/16	1.000%	0.650%	227,083	226,829	(254)

**City of Yuba City
Monthly Investment Statement**

City Held Investments

March, 2014

No.	Description of Security	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
43	American Honda Finance NTS	10/07/16	1.125%	1.240%	194,321	196,232	1,911
44	Federal Natl Mtg Assn	11/14/16	0.550%	0.550%	1,900,000	1,887,878	(12,122)
45	Federal Natl Mtg Assn	11/15/16	1.375%	1.180%	1,261,500	1,269,450	7,950
46	US Treasury Notes	12/31/16	0.875%	0.890%	384,729	385,901	1,172
47	Federal Natl Mtg Assn	03/14/17	0.750%	0.720%	1,000,800	993,320	(7,480)
48	US Treasury Notes	03/31/17	1.000%	0.940%	701,285	701,750	465
49	Federal Natl Mtg Assn	04/25/17	1.350%	0.530%	1,014,520	1,000,780	(13,740)
50	Federal Home Loan Mtg Corp	05/12/17	1.250%	0.865%	1,011,900	1,007,740	(4,160)
51	Berkshire Hathaway Fin Corp	05/15/17	1.600%	1.510%	199,846	202,446	2,600
52	US BankCorp MTNS Bank	05/15/17	1.650%	1.160%	766,478	759,150	(7,328)
53	Federal Home Ln Mtg	06/06/17	1.200%	1.120%	501,925	500,645	(1,280)
54	Federal Home Ln Mtg	06/29/17	1.000%	0.990%	850,400	846,915	(3,485)
55	Federal Home Ln Mtg	06/29/17	1.000%	0.820%	1,008,550	996,370	(12,180)
56	Federal Home Loan Bank	08/14/17	0.500%	0.500%	500,000	499,260	(740)
57	IBM Corp Notes	09/14/17	5.700%	1.596%	494,211	486,306	(7,905)
58	Federal Home Ln Mtg	09/29/17	1.000%	0.910%	577,369	570,371	(6,998)
59	Federal Natl Mtg Assn	10/26/17	0.875%	1.160%	445,158	443,597	(1,562)
60	Federal Home Loan Bank	12/08/17	0.750%	0.770%	999,000	981,820	(17,180)
61	Federal Natl Mtg Assn	12/20/17	0.875%	0.880%	749,820	737,438	(12,383)
62	Federal Home Loan Bank	01/12/18	0.750%	1.007%	987,580	977,120	(10,460)
63	Federal Natl Mtg Assn	04/24/18	1.500%	1.100%	1,517,230	1,497,510	(19,720)
64	Colgate Palmolive Co	05/01/18	0.900%	1.000%	427,949	414,494	(13,455)
65	Microsoft Corp	05/01/18	1.000%	1.010%	139,912	136,688	(3,224)
66	Apple Inc.	05/03/18	1.000%	1.080%	254,059	247,184	(6,875)
67	Apple Inc.	05/03/18	1.000%	1.170%	495,880	484,675	(11,205)
68	UC General Rev Bnds	05/15/18	2.054%	2.050%	370,000	374,851	4,851
69	Federal Natl Mtg Assn Bonds	05/21/18	0.875%	1.190%	864,435	851,323	(13,113)
70	Chevron Corp SR Notes	06/24/18	1.718%	1.720%	365,000	363,763	(1,237)
71	Yuba City RDA TABs	09/01/32	5.375%	6.460%	960,000	1,138,788	178,788
72	East Hillcrest AD	09/02/16	6.000%	6.000%	18,114	18,114	-
73	Darrough Drive AD	09/02/24	6.000%	6.000%	102,375	102,375	-
74	Staple/Ashley/Cornwell AD	03/02/30	6.000%	6.000%	130,082	130,082	-
75	Buttes Vista 2000-1 AD	09/02/25	2.730%	2.730%	613,308	613,308	-
76	Buttes Vista 2002-1 AD	09/02/27	2.730%	2.730%	613,222	613,222	-
	U.S. Consumer Price Index (Inflation)	March, 2014		TBD			
Total City Held Investments					\$ 80,937,722	\$ 80,653,491	\$ (284,231)

City of Yuba City Investment Report

Investments Held by Other Fiscal Agents (1)

March, 2014

No.	Description of Debt Issuance	Account Type	Description of Security	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
71	RDA Tax Allocation Series A - 2004	Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	30,026	30,026	-
72		Reserve	Federal Natl Mtg	09/02/14	1.250%	1.240%	1,109,000	1,125,079	16,079
73		Principal	Blackrock T-Fund	Daily	0.000%	0.000%	-	-	-
74		Interest	Blackrock T-Fund	Daily	0.000%	0.000%	-	-	-
75	Housing Set-Aside Series B - 2004	Reserve	Federal Home Ln	09/01/39	Discount	5.260%	302,394	310,022	7,628
76		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	10,803	10,803	-
77		Principal	Blackrock T-Fund	Daily	0.000%	0.000%	-	-	-
78		Interest	Blackrock T-Fund	Daily	0.000%	0.000%	-	-	-
79	Sunsweet Blvd CFD - 2005	Reserve	LAIF	Daily	0.240%	0.240%	215,268	215,268	-
80		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	2,779	2,779	-
81		Installment	Blackrock T-Fund	Daily	0.010%	0.010%	195,409	195,409	-
82	Gauche Park COP - 2006	Reserve	Federal Natl Mtg	06/01/36	Discount	5.040%	769,133	768,528	-
83		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	20,095	20,095	-
84		Lease	Blackrock T-Fund	Daily	0.010%	0.010%	-	-	-
85	RDA Tax Allocation Bonds - 2007	Reserve	Fed Home Ln Mtg	09/01/39	Discount	5.260%	1,159,894	1,185,083	25,189
86		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	33,962	33,962	-
87		Project	Blackrock T-Fund	Daily	0.010%	0.010%	15,739	15,739	-
88		Principal	Blackrock T-Fund	Daily	0.000%	0.000%	-	-	-
89		Interest	Blackrock T-Fund	Daily	0.010%	0.010%	-	-	-
90	Wastewater Revenue Refunding - 2011	Debt Service	Blackrock T-Fund	Daily	0.010%	0.010%	-	-	-
91	2013 Water Rev COP - Escrow	Debt Service	Uninvested Cash	Daily	0.000%	0.000%	-	-	-
92	2013 Water Rev COP - Cost of Issuance	Debt Service	Blackrock T-Fund	Daily	0.010%	0.010%	-	-	-
93	2013 Water Rev COP - Debt Service	Debt Service	Blackrock T-Fund	Daily	0.010%	0.010%	-	-	-
	U.S. Consumer Price Index (Inflation)			March, 2014		TBD			
Total Non-City Investments							\$ 3,864,502	\$ 3,912,793	\$ 48,895
TOTAL CITY & NON-CITY INVESTMENTS							\$ 84,802,224	\$ 84,566,284	\$ (235,336)

I certify to the best of my knowledge: (i) That this statement reflecting all City investments is accurate and complete; (ii) That each investment conforms with the City's investment policies, as well as California's Government Code; and (iii) That sufficient cash flow liquidity is available to meet the next six months of estimated disbursements.

Signed: /s/ Spencer Morrison
Spencer Morrison, City Treasurer

Date: 3/31/2014

City of Yuba City - Quarterly Investment Transaction Report
March 2014 - Summary

Account Types	Balance 12/31/2013	Balance 3/31/2014	Period Activity
City Held Investments			
Local Agency Investment Fund	\$ 10,286,863	\$ 19,296,342	\$ 9,009,478
California Asset Management Program	102,525	102,546	22
Umpqua Bank Public Funds Money Market	9,487,390	9,493,235	5,844
Cash/Money Market	437,923	2,409,893	1,971,970
Federal Agency Securities	24,692,161	22,811,298	(1,880,863)
US Treasuries	6,817,482	8,766,932	1,949,450
Commercial Paper	499,225	499,730	505
Certificates of Deposit	1,149,454	1,149,805	351
Municipal/State Bonds	1,673,708	1,714,363	40,655
Corporate Bonds	12,955,336	12,932,246	(23,090)
City-held Assessment Districts	1,477,101	1,477,101	0
Total City Held Investments	\$ 69,579,167	\$ 80,653,491	\$ 11,074,324
Trustee Held Investments			
RDA Tax Allocation Series A - 2004	\$ 1,127,893	\$ 1,155,105	\$ 27,212
Housing Set Aside Series B - 2004	317,932	320,824	2,893
Sunsweet Blvd CFD - 2004	338,972	413,457	74,484
Water Revenue Certificates - 2005	-	-	0
Gauche Park COP - 2006	778,721	788,623	9,902
RDA Tax Allocation 2007	1,217,534	1,234,784	17,250
Wastewater COP Refunding - 2011	-	-	0
Water COP Refunding - 2013	-	-	0
Total Trustee Held Investments	\$ 3,824,143	\$ 3,912,793	\$ 131,740
Total			
Total	\$ 73,403,311	\$ 84,566,284	\$ 11,206,064

January-February-March 2014

Description of Security	Broker	Settlement Date	Maturity Date	Trade Date	Activity Type	Coupon Rate	Yield to Maturity	Cost Basis
SALES/REDEMPTIONS								
US Treasury Notes	Toronto Dominion Sec	03/05/14	03/15/14	03/04/14	Sales	1.250%	1.240%	925,361
Freddie Mac Notes	Wachovia Capital Markets	03/24/14	08/27/14	03/21/14	Sales	1.000%	0.540%	707,903
Fannie Mae Notes	BNP Paribas Securities	02/04/14	02/27/14	02/04/14	Sales	1.250%	1.440%	1,193,340
Westpac Banking YC/D F/R	Merrill Lynch Fixed Income	02/07/14	02/27/14	02/04/14	Sales	1.448%	1.470%	575,000
Federal Home Loan Bank	RBC Capital Markets	01/30/14	01/30/15	01/30/14	Call	0.750%	0.580%	502,481
Freddie Mac Notes		03/21/14	03/21/16	03/21/14	Call	1.000%	1.000%	1,002,150
Total Sales/Redemptions								\$ 4,906,235
PURCHASES								
US Treasury Notes	Salomon Bros	03/05/14	08/31/16	03/04/14		1.000%	0.500%	936,382
US Treasury Notes	Morgan Stanley	03/24/14	03/31/17	03/21/14		1.000%	0.940%	701,285
US Treasury Notes	Merrill Lynch Fixed Income	02/07/14	01/31/16	02/04/14		0.375%	0.310%	1,251,611
BNP Paribas NY C/D	BNP Paribas Securities	02/07/14	11/03/14	02/04/14		0.450%	0.410%	575,000
Federal Home Loan Bank	RBC Capital Markets	02/14/14	08/14/17	01/23/14		0.500%	0.500%	500,000
Freddie Mac Notes	RBC Capital Markets	03/21/14	05/12/17	03/18/14		1.250%	0.865%	1,011,900
Total Purchases								\$ 4,976,178