

CITY OF YUBA CITY
STAFF REPORT

Date: August 18, 2015
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 June 30, 2015
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 (April, May, and June).

Analysis:**Portfolio Highlights:**

- As of June 30, 2015, the City's overall investment portfolio (estimated market value) totaled \$91,393,686, an increase of \$1,247,875 since the previous quarter.
- Notable transactions during the quarter that affected cash flows include: 1) Receiving the second apportionment of property taxes from the County, \$9.9 million; payroll, \$7.5 million; various debt service paid, \$2.6 million.
- The Portfolio shows a "paper gain" of \$231,923 as of June 30th. 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 might not be realized if the investments are held until maturity (which is the City's general investment strategy).
- Portfolio interest rates are remaining around 1.0 percent, but we continue to increase the yield to maturity through our purchase selections. As the City's older lower-yield investments mature (or are called by the issuer), the investments purchased are offering slightly higher yields. For the quarter ended June 30, 13 investments matured or were sold with an average yield of 0.778%. The funds were re-invested in 13 investments with an average yield of 1.103%.
- The City's cash flow needs will be met by the roughly \$39.7 million as of June 30th (approximately 45.4% of the "City Held Investments" portfolio value) that is currently invested in LAIF, CAMP, Umpqua and in the City's Wells Fargo checking account, which are wholly liquid.

Outlook: The consumer price index (CPI) has been nearly flat most of this quarter. Excluding

food and energy, the CPI increases with a rate of 0.1 percent on a year-over-year basis. In spite of a flat CPI, the national economy continues to recover after the first quarter slowdown due to weather. While the declining unemployment rate is expected to drive the Fed to raise short-term rates, the credit break down in Greece, along with question of whether that country will stay in the eurozone, has given the Fed pause. Locally, the general fund revenues are beating budget estimates and easing the ongoing deficit with the Yuba City budget. The flood control construction cultural resources stoppage has ended and levee work has resumed and the cash balances will once again reflect their activity.

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 June 30, 2015.

Prepared & Submitted By:

[/s/ Spencer Morrison](#)

Spencer Morrison
City Treasurer

Reviewed By:

Finance

[RB](#)

City Attorney

[TH \(via e-mail\)](#)



City of Yuba City

Treasurer's Quarterly Investment Report

AS PRESCRIBED BY CALIFORNIA GOVERNMENT CODE SECTION 53646

June 30, 2015

**City of Yuba City – Month-By-Month Comparison Report
June 30, 2015**

The following table provides a comparison of the portfolio for the quarter ended June 30, 2015, and the previous quarters ended March 2015, December 2014, and September, 2014.

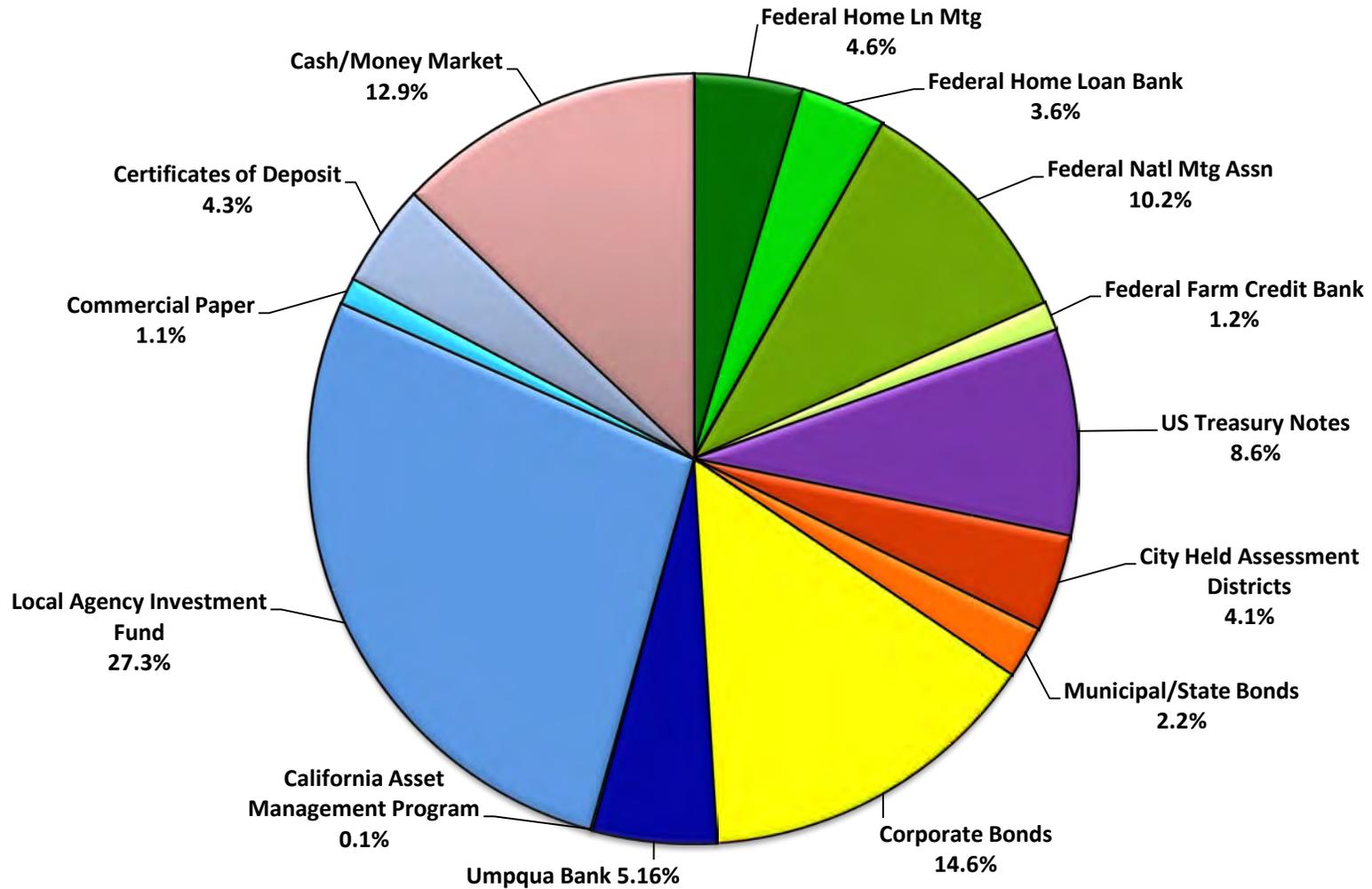
Portfolio Comparison				
	9/30/14	12/31/14	3/31/15	6/30/15
Cost Basis	\$68,154,705	\$89,615,594	\$89,854,889	\$91,161,763
Estimated Market Value	67,930,797	89,429,391	90,145,811	91,393,686
Unrealized Gains/(Losses) ⁽¹⁾	(239,706)	(186,203)	290,922	231,923
Liquidity	23.6%	42.7%	43.2%	45.4%
Weighted Average Years: Maturity of City Held Funds	2.73 years	1.99 years ⁽²⁾	2.04 years	1.90 years
LAIF Interest Rate	0.25%	0.27%	0.28%	0.30%
CAMP Interest Rate	0.060%	0.050%	0.050%	0.090%
Umpqua Bank Public Funds Money Market Interest Rate	0.23%	0.28%	0.28%	0.30%
Portfolio: Weighted Average Yield to Maturity at Market	0.93%	0.99%	1.01%	1.01%
CPI (Annualized)	1.0%	0.8%	-0.1%	0.1%

Note: (1) This represents the amount of money that the City would gain (or lose) 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).

(2) The weighted average years to maturity has been corrected since the original report.

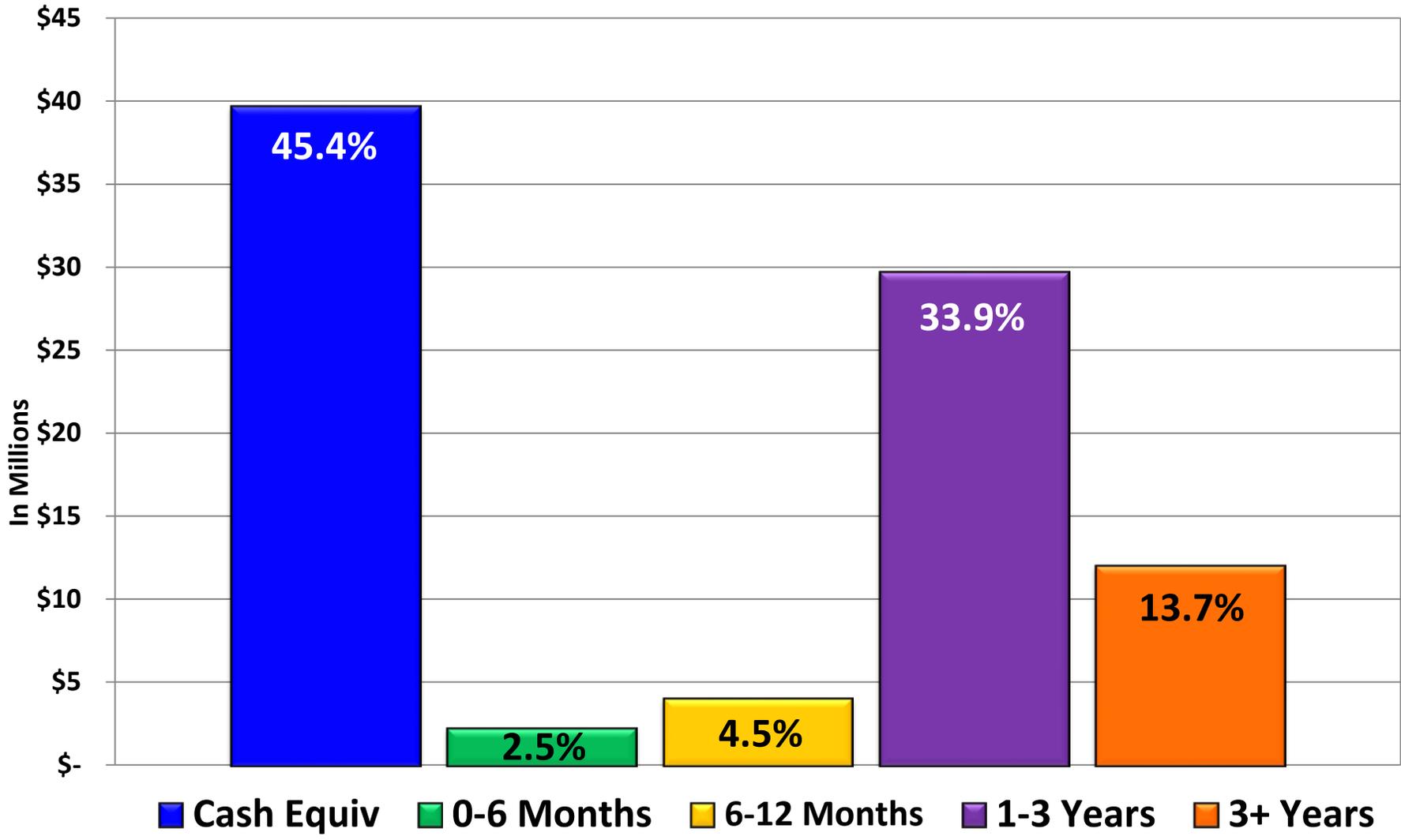
City of Yuba City – Quarterly Investment Report
June 30, 2015

Composition of City Held Investments



City of Yuba City – Quarterly Investment Report
June 30, 2015

City Held Investment Portfolio Maturity Distribution



**City of Yuba City
Monthly Investment Statement
City Held Investments**

June 2015

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	0.299%	0.299%	\$ 23,835,767	\$ 23,844,729	\$ 8,962
2	Calif. Asset Management Program (CAMP)	Daily	0.090%	0.090%	102,626	102,626	-
3	Wells Fargo Money Market & Checking Accts.	Daily (Sweep)	0.000%	0.000%	6,135,730	6,135,730	-
4	Umpqua Bank Public Funds Money Market	Daily	0.300%	0.300%	4,512,974	4,512,974	-
5	Dreyfus Govt Cash Management Fund	Daily	0.100%	0.000%	5,158,568	5,158,568	-
6	Microsoft Corp	09/25/15	1.625%	1.545%	501,600	501,570	(30)
7	Federal Natl Mtg Assn	10/26/15	1.625%	0.990%	666,393	653,075	(13,319)
8	General Electric Coml Paper	11/25/15	0.000%	0.370%	997,266	998,610	1,344
9	US Treasury Notes	01/31/16	0.375%	0.310%	105,135	105,140	4
10	CA St. Go Bonds	02/01/16	1.050%	0.930%	200,676	200,586	(90)
11	Microsoft Corp	02/08/16	2.500%	1.550%	746,487	708,666	(37,821)
12	BMO Harris Bk Natl Assn	02/10/16	0.540%	0.540%	475,000	475,637	637
13	JP Morgan Chase & Co	02/26/16	1.125%	1.120%	750,195	752,160	1,965
14	Westpac Banking Corp CD	04/15/16	0.455%	0.410%	475,000	475,290	290
15	General Electric Cap Corp	05/09/16	2.950%	1.200%	580,580	560,731	(19,850)
16	Toyota Motor Credit FLTN/RT	05/17/16	0.800%	0.810%	244,900	245,159	260
17	BK Nova Scotia YC/D	06/10/16	0.462%	0.280%	449,728	449,928	200
18	US Treasury Notes	07/31/16	1.500%	0.910%	514,141	506,095	(8,046)
19	Goldman Sachs Bank USA	08/12/16	0.900%	0.900%	500,000	500,000	-
20	Berkshire Hathaway Fin Corp	08/15/16	0.950%	0.970%	314,833	315,662	828
21	HSBC USA INC IN	08/15/16	0.880%	0.880%	375,000	375,236	236
22	East Hillcrest AD	09/02/16	6.000%	6.000%	12,458	12,458	-
23	Toyota Motor Credit Corp	09/15/16	2.000%	0.990%	1,028,960	1,014,740	(14,220)
24	Federal Home Ln Bank	09/28/16	0.500%	0.610%	139,685	140,034	349
25	Federal Natl Mtg Assn	11/14/16	0.550%	0.550%	1,900,000	1,899,582	(418)
26	Fannie Mae Notes	11/15/16	1.375%	1.180%	1,261,500	1,264,700	3,200
27	US Treasury Notes	12/15/16	0.625%	0.620%	500,078	501,015	937
28	Federal Farm Credit Bank	01/17/17	4.875%	0.830%	1,108,800	1,064,700	(44,100)
29	Bank of America Corp Bnd	02/14/17	1.250%	0.000%	501,050	499,800	(1,250)
30	US Treasury Notes	02/15/17	0.625%	0.820%	497,539	500,665	3,126
31	Federal Natl Mtg Assn	03/14/17	0.750%	0.720%	1,000,800	1,001,940	1,140
32	Deere John Cap Corp	03/15/17	1.400%	1.390%	504,415	504,745	330
33	Federal Home Ln Bank	03/24/17	0.840%	0.840%	500,000	500,930	930
34	Federal Home Ln Bank	03/30/17	0.900%	0.900%	500,000	500,805	805
35	Canadian Imperial Bank	04/06/17	1.010%	1.010%	475,000	475,000	-
36	Rabobank Nederland	04/21/17	1.070%	1.070%	575,000	575,000	-
37	Federal Home Loan Mtg Corp	05/12/17	1.250%	0.865%	1,011,900	1,011,180	(720)
38	Berkshire Hathaway Fin Corp	05/15/17	1.600%	1.620%	199,846	202,148	2,302
39	US BankCorp MTNS Bank	05/15/17	1.650%	1.180%	766,478	759,038	(7,440)
40	Pfizer Inc SR Notes	05/15/17	1.100%	1.090%	501,900	501,475	(425)
41	Nordea Bank Finland	05/26/17	1.150%	1.150%	475,000	475,000	-
42	John Deere Cap Corp	06/12/17	1.125%	1.140%	364,828	365,245	416
43	HSBC USA INC IN	06/23/17	1.300%	1.350%	189,711	189,909	198
44	Freddie Mac Global Notes	06/29/17	1.000%	0.960%	625,631	628,431	2,800
45	Federal Home Ln Mtg	06/29/17	1.000%	0.820%	1,008,550	1,005,490	(3,060)
46	US Treasury Notes	06/30/17	0.750%	0.700%	500,508	500,975	467
47	California Earthquake Auth Rev	07/01/17	1.824%	1.820%	130,000	130,595	595
48	Toyota ABS	07/15/17	0.710%	0.710%	99,999	99,951	(48)
49	Wells Fargo & Co.	09/08/17	1.400%	1.430%	499,505	501,280	1,775
50	IBM Corp Notes	09/14/17	5.700%	1.596%	494,211	465,949	(28,263)
51	American Express Corp	09/22/17	1.550%	1.600%	139,812	140,456	644

**City of Yuba City
Monthly Investment Statement
City Held Investments**

June 2015

No.	Description of Security	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
52	Freddie Mac Global Notes	09/29/17	1.000%	0.910%	577,369	576,357	(1,012)
53	US Treasury Notes	09/30/17	0.625%	0.630%	498,750	498,516	(235)
54	Freddie Mac Global Notes	10/26/17	0.875%	1.160%	445,158	450,207	5,049
55	Federal Home Loan Mtg Corp MTN	10/30/17	0.750%	1.100%	499,750	500,235	485
56	US Treasury Notes	11/30/17	0.625%	1.190%	220,570	224,033	3,462
57	Federal Home Loan Bank	12/08/17	0.750%	0.770%	999,000	994,940	(4,060)
58	Freddie Mac Global Notes	12/20/17	0.875%	0.880%	749,820	749,340	(480)
59	Federal Home Ln Mtg	01/12/18	0.750%	0.750%	987,580	995,020	7,440
60	Ford ABS	01/15/18	0.810%	0.810%	75,000	75,052	52
61	IBM Corp Notes	02/06/18	1.125%	1.230%	598,170	596,190	(1,980)
62	Exxon Mobil Corp	03/06/18	1.305%	1.310%	350,000	349,716	(285)
63	Federal Natl Mtg Assn	04/25/18	1.550%	0.830%	111,100	110,821	(279)
64	Federal Home Loan Bank	04/27/18	1.000%	1.000%	1,000,000	997,360	(2,640)
65	Colgate Palmolive Co	05/01/18	0.900%	1.000%	427,949	426,835	(1,114)
66	Microsoft Corp	05/01/18	1.000%	1.010%	139,912	139,202	(710)
67	Apple Inc.	05/03/18	1.000%	1.080%	254,059	252,422	(1,637)
68	Apple Inc.	05/03/18	1.000%	1.170%	495,880	494,945	(935)
69	UC General Rev Bnds	05/15/18	2.054%	2.050%	370,000	377,308	7,308
70	Freddie Mac Global Notes	05/21/18	0.875%	1.040%	864,435	869,759	5,324
71	Bank of New York Mellon	05/22/18	1.600%	1.600%	474,957	474,720	(238)
72	Chevron Corp SR Notes	06/24/18	1.718%	1.720%	365,000	367,175	2,175
73	US Treasury Notes	07/31/18	1.375%	0.980%	912,164	909,000	(3,164)
74	Fannie Mae	09/25/18	0.385%	0.380%	79,655	79,833	178
75	Federal Home Ln Mtg	10/23/18	1.350%	1.350%	501,430	500,645	(785)
76	US Treasury Notes	10/31/18	1.250%	1.490%	495,254	501,720	6,466
77	US Treasury Notes	11/30/18	1.250%	1.450%	545,316	551,375	6,059
78	US Treasury Notes	01/31/19	1.500%	1.610%	870,693	882,998	12,304
79	Honda ABS	02/21/19	1.040%	1.050%	169,974	169,929	(45)
80	US Treasury Notes	04/30/19	1.625%	1.160%	508,984	505,585	(3,399)
81	Toyota ABS	05/15/19	1.270%	1.270%	239,987	239,844	(143)
82	Freddie Mac Notes	05/30/19	1.750%	1.540%	302,676	303,264	588
83	American Honda Finance NTS	08/15/19	2.250%	2.290%	499,075	503,390	4,315
84	US Treasury Notes	09/30/19	1.000%	1.470%	538,570	539,732	1,161
85	US Treasury Notes	09/30/19	1.750%	1.370%	838,825	834,925	(3,900)
86	Nissan ABS	10/15/19	1.050%	1.060%	184,961	184,158	(803)
87	Ford ABS	11/15/19	1.160%	1.160%	124,988	124,983	(6)
88	Federal Natl Mtg Assn	11/26/19	1.750%	1.670%	301,074	301,575	501
89	Darrough Drive AD	09/02/24	6.000%	6.000%	95,537	95,537	-
90	Buttes Vista 2000-1 AD	09/02/25	2.730%	2.730%	566,318	566,318	-
91	Buttes Vista 2002-1 AD	09/02/27	2.730%	2.730%	573,878	573,878	-
92	Staple/Ashley/Cornwell AD	09/02/30	6.000%	6.000%	125,471	125,471	-
93	Yuba City RDA TABs	09/01/32	5.375%	6.460%	960,000	1,224,204	264,204
94	WWTP Solar System (DS, June 30)	06/30/33	4.000%	4.000%	2,191,414	2,191,414	-
	U.S. Consumer Price Index (Inflation)	June 2015		0.100%			
Total City Held Investments					\$ 87,286,468	\$ 87,441,332	\$ 154,863

**City of Yuba City Investment Report
Investments Held By Trustees
June 2015**

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)
95	RDA Tax Allocation Series A - 2004	Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	30,337	30,337	-
96		Reserve	Federal Natl Mtg	09/01/39	Discount	5.260%	1,109,000	1,126,932	17,932
97		Principal	Blackrock T-Fund	Daily	0.000%	0.000%	1	1	-
98		Interest	Blackrock T-Fund	Daily	0.000%	0.000%	0	0	-
99	Housing Set-Aside Series B - 2004	Reserve	Federal Home Ln	09/01/39	Discount	5.260%	302,394	312,981	10,587
100		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	8,080	8,080	-
101		Principal	Blackrock T-Fund	Daily	0.000%	0.000%	0	0	-
102		Interest	Blackrock T-Fund	Daily	0.000%	0.000%	0	0	-
103	Sunsweet Blvd CFD - 2005	Reserve	LAIF	Daily	0.299%	0.299%	215,918	215,918	-
104		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	2,657	2,657	-
105		Installment	Blackrock T-Fund	Daily	0.010%	0.010%	214,135	214,135	-
106	Gauche Park COP - 2006	Reserve	Federal Natl Mtg	06/01/36	Discount	5.040%	769,133	787,638	18,505
107		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	16,807	16,807	-
108		Lease	Blackrock T-Fund	Daily	0.000%	0.000%	1	1	-
109	RDA Tax Allocation Bonds - 2007	Reserve	Fed Home Ln Mtg	09/01/39	Discount	5.260%	1,159,894	1,189,929	30,034
110		Reserve	Blackrock T-Fund	Daily	0.010%	0.010%	31,193	31,193	-
111		Project	Blackrock T-Fund	Daily	0.010%	0.010%	15,740	15,740	-
112		Principal	Blackrock T-Fund	Daily	0.000%	0.000%	-	-	-
113		Interest	Blackrock T-Fund	Daily	0.010%	0.010%	-	-	-
114	RDA Tax Allocation Bonds - 2007	Debt Service	Blackrock T-Fund	Daily	0.000%	0.000%	1	1	-
115	Wastewater Revenue Refunding - 2011	Reserve	Blackrock T-Fund	Daily	0.000%	0.000%	2	2	-
116	2013 Water Rev COP - Escrow	Debt Service	Uninvested Cash	Daily	0.000%	0.000%	-	-	-
117	2013 Water Rev COP - Cost of Issuance	Debt Service	Blackrock T-Fund	Daily	0.010%	0.010%	-	-	-
118	2013 Water Rev COP - Debt Service	Debt Service	Blackrock T-Fund	Daily	0.000%	0.000%	2	2	-
	U.S. Consumer Price Index (Inflation)			June 2015		0.100%			
Total Trustee-Held Investments							\$ 3,875,295	\$ 3,952,354	\$ 77,059
TOTAL CITY & TRUSTEE-HELD INVESTMENTS							\$ 91,161,763	\$ 91,393,686	\$ 231,923

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: 6/30/2015

**City of Yuba City - Quarterly Investment Transaction Report
June 2015 - Market Value Summary**

Account Types	Balance 3/31/2015	Balance 6/30/2015	Period Activity
City Held Investments			
Local Agency Investment Fund	\$ 19,296,342	\$ 23,844,729	\$ 4,548,387
California Asset Management Program	102,605	102,626	21
Umpqua Bank Public Funds Money Market	4,509,681	4,512,974	3,294
Cash/Money Market	13,325,380	11,294,298	(2,031,083)
Federal Agency Securities	19,519,377	17,100,222	(2,419,155)
US Treasuries	7,850,020	7,561,771	(288,249)
Commercial Paper	996,960	998,610	1,650
Certificates of Deposit	2,853,042	3,801,091	948,049
Municipal/State Bonds	2,028,637	1,932,693	(95,944)
Corporate Bonds	12,138,027	12,727,242	589,215
City-held Assessment Districts	3,647,240	3,565,076	(82,164)
Total City Held Investments	\$ 86,267,310	\$ 87,441,331	\$ 1,174,021
Trustee Held Investments			
RDA Tax Allocation Series A - 2004	\$ 1,156,898	\$ 1,157,271	\$ 373
Housing Set Aside Series B - 2004	320,959	321,062	103
Sunsweet Blvd CFD - 2004	359,984	432,709	72,725
Water Revenue Certificates - 2005	-	-	0
Gauche Park COP - 2006	804,187	804,445	258
RDA Tax Allocation 2007	1,236,469	1,236,863	394
Wastewater COP Refunding - 2011	3	2	(0)
Water COP Refunding - 2013	2	2	(1)
Total Trustee Held Investments	\$ 3,878,501	\$ 3,952,354	\$ 73,853
Total	\$ 90,145,811	\$ 91,393,686	\$ 1,247,875

**Investment Activity
April-May-June 2015**

Description of Security	Broker	Settlement Date	Maturity Date	Trade Date	Activity Type	Coupon Rate	Yield to Maturity	Cost Basis
SALES/REDEMPTIONS								
US Treas Notes	Merrill Lynch	04/10/15	03/31/17	04/06/15	Sales	1.000%	0.940%	401,391
US Treas Notes	Morgan Stanley	04/10/15	12/31/16	04/06/15	Sales	3.250%	0.630%	52,805
Federal Home Loan Mtg		04/13/15	04/13/17	04/13/15	Full Call	1.000%	1.000%	500,000
US Treas Notes	Morgan Stanley	04/14/15	12/31/16	04/07/15	Sales	3.250%	0.630%	184,816
Federal Natl Mtg Assn		04/24/15	04/24/18	04/24/15	Full Call	1.500%	1.100%	1,517,230
Rabobank NED	Goldman Sachs NY	04/27/15	05/06/16	04/22/15	Sales	0.716%	0.710%	575,000
Federal Home Loan Bank		04/28/15	04/28/17	04/28/15	Full Call	1.625%	1.250%	606,660
US Treas Notes	Merrill Lynch	05/20/15	01/31/16	05/13/15	Sales	0.375%	0.310%	170,219
US Treas Notes	Salomon Bros	05/26/15	01/31/16	05/19/15	Sales	0.375%	0.310%	125,161
US Treas Notes	Barclays Capital Inc	05/29/15	12/31/16	05/27/15	Sales	3.250%	0.630%	343,230
Bank of New York Mellon	Goldman Sachs NY	05/29/15	01/15/16	05/22/15	Sales	2.500%	0.860%	577,231
Freddie Mac Global Notes	Nesbitt Burns Securities	06/17/15	03/04/15	06/10/15	Sales	1.000%	1.000%	225,227
Federal Home Loan Mtg		06/29/15	09/29/16	06/29/15	Full Call	0.700%	0.750%	1,248,750
Total Sales/Redemptions								\$ 6,527,720
PURCHASES								
Canadian Imperial Bank	Goldman Sachs NY	04/10/15	04/06/17	04/06/15		1.010%	1.010%	475,000
Nissan ABS	Merrill Lynch	04/14/15	10/15/19	04/07/15		1.050%	1.060%	184,961
US Treasury Notes	RBC Capital Markets	04/14/15	09/30/17	04/13/15		0.625%	0.630%	498,750
Federal Home Loan Mtg	Morgan Stanley	04/24/15	10/23/18	04/20/15		1.350%	1.350%	501,430
Rabobank Nederland	Goldman Sachs	04/27/15	04/21/17	04/22/15		1.070%	1.070%	575,000
Federal Home Loan Bank	RBC Capital Markets	04/27/15	04/27/18	04/20/15		1.000%	1.000%	1,000,000
US Treasury Notes	Chase Securities	04/28/15	04/30/19	04/27/15		1.625%	1.160%	508,984
Federal Natl Mtg Assn	Goldman Sachs	04/30/15	04/25/18	04/15/15		1.550%	0.830%	111,100
Honda Auto Recv	Chase Securities	05/20/15	02/21/19	05/13/15		1.040%	1.050%	169,974
Ford Credit Auto Own Tr	RBC Capital Markets	05/26/15	11/15/19	05/19/15		1.160%	1.160%	124,988
Bank of New York Mellon	Goldman Sachs	05/29/15	05/22/18	05/22/15		1.600%	1.600%	474,957
Nordea Bank Finland	Merrill Lynch	05/29/15	05/26/17	05/27/15		1.150%	1.150%	475,000
Toyota ABS	Saloman Bros	06/17/15	05/15/19	06/10/15		1.270%	1.270%	239,987
Total Purchases								\$ 5,340,132