

REPORT

To the Honorable Mayor and City Council
From the City Manager

October 13, 2014

Subject

Monthly Investment Report for Period Ending September 30, 2014.

Background

The attached investment report indicates that on September 30, 2014 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$165,398,143.09 were invested producing an average yield of 0.724%. The target Fed Funds rate for September is 0.25%. The report represents all securities in which City funds, including all trust funds and agency funds, are invested (excluding deferred compensation plans). All of these investments are in compliance with the City policy.

Securities purchased in the month of September:

Investment Type	Date purchased	Par Amount	Interest Rate	Matures
Fannie Mae	09/15/2014	\$ 3,000,000.00	1.100%	09/15/2017
Federal Home Loan Bank	09/29/2014	\$ 3,000,000.00	1.300%	09/29/2017
Federal Home Loan Mortgage Corp	09/29/2014	\$ 3,000,000.00	1.200%	09/29/2017

The City's investment policy requires that approximately 50% of idle funds be placed in liquid investments, not more than 50% of idle funds be invested for more than one year, and not more than 25% of idle funds be invested for more than two years. Based on the City's current investments:

Investment Term	Policy Requirements	Actual
Liquid (minimum)	\$ 82,651,571.55	\$ 90,406,483.09
With maturity greater than one year (max)	\$ 82,651,571.55	\$ 101,863,320.00
With maturity greater than two year (max)	\$ 41,325,785.77	\$ 86,886,210.00

Currently, more than 25% of idle funds are invested in securities that will not mature for two years or longer. This is the result of three-year callable bonds, purchased due to their higher yield, being called early as interest rates change, thus restarting the term as these funds are reinvested.

The investment brokers used to purchase securities for the City this month were Morgan Stanley Smith Barney and Cantor Fitzgerald.

As of September 30 the City has sufficient liquid resources available to meet expenditure requirements for the next six months.



Audrey Seymour Ramberg
Interim Director of Finance/ Treasurer



Sylvia Bravo Peters
Management Analyst / Deputy Treasurer

c: Robert Bell, City Manager

INVESTMENT PORTFOLIO

30 SEP 2014

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE

US AGENCIES, SECURITIES, AND CORPORATE NOTES									
Federal National Mortgage Assoc.	(1) 11-27-12	3,002,250.00	11-25-15	0.480	3,000,000.00	1.814	3,001,140.00	0.25	
Fed Farm Credit	(1) 12-17-12	2,999,100.00	12-17-15	0.400	3,000,000.00	1.814	2,998,020.00	0.25	
Federal National Mortgage Assoc.	(1) 05-22-13	3,000,750.00	05-20-16	0.449	3,000,000.00	1.814	3,000,930.00	0.34	
Fed Farm Credit	(1) 06-06-13	2,998,062.00	06-06-16	0.540	3,000,000.00	1.814	2,985,660.00	0.36	
Federal Home Loan Mortgage Corp.	(1) 10-07-13	2,993,220.00	09-14-16	0.728	3,000,000.00	1.814	2,991,360.00	0.42	
Federal Home Loan Bank	(1) 11-14-13	3,000,000.00	11-14-16	0.875	3,000,000.00	1.814	3,001,230.00	0.45	
Federal Home Loan Mortgage Corp.	(1) 12-20-13	3,000,000.00	12-20-16	0.720	3,000,000.00	1.814	2,992,050.00	0.49	
Federal Home Loan Mortgage Corp.	(1) 12-27-13	3,000,000.00	12-27-16	0.500	3,000,000.00	1.814	3,000,990.00	0.49	
Federal Home Loan Bank	(1) 01-17-14	3,000,000.00	01-17-17	0.875	3,000,000.00	1.814	3,000,810.00	0.51	
Federal Home Loan Bank	(1) 01-21-14	3,000,000.00	01-17-17	0.088	3,000,000.00	1.814	3,000,810.00	0.51	
Federal Home Loan Bank	(1) 04-30-14	3,000,000.00	01-30-17	0.850	3,000,000.00	1.814	2,997,810.00	0.51	
Federal Home Loan Bank	(1) 05-22-14	3,000,000.00	02-22-17	0.825	3,000,000.00	1.814	2,994,360.00	0.53	
Federal Home Loan Bank	(1) 05-22-14	3,000,000.00	02-22-17	0.825	3,000,000.00	1.814	2,994,360.00	0.53	
Federal Home Loan Mortgage Corp.	(1) 05-28-14	3,000,000.00	02-28-17	0.850	3,000,000.00	1.814	2,998,470.00	0.53	
Federal Home Loan Bank	(1) 03-10-14	3,000,000.00	03-10-17	0.900	3,000,000.00	1.814	2,994,780.00	0.53	
Federal Home Loan Mortgage Corp.	(1) 03-10-14	3,000,000.00	03-10-17	0.850	3,000,000.00	1.814	2,992,140.00	0.53	
Federal Home Loan Bank	(1) 03-17-14	3,000,000.00	03-17-17	0.900	3,000,000.00	1.814	2,983,470.00	0.53	
Federal Home Loan Mortgage Corp.	(1) 03-17-14	3,000,000.00	03-17-17	0.850	3,000,000.00	1.814	2,992,920.00	0.53	
Federal Home Loan Bank	(1) 07-07-14	3,000,000.00	04-07-17	1.000	3,000,000.00	1.814	2,995,410.00	0.54	
Federal Home Loan Mortgage Corp.	(1) 04-10-14	3,000,000.00	04-10-17	1.000	3,000,000.00	1.814	2,998,890.00	0.54	
Federal Home Loan Bank	(1) 04-17-14	3,000,000.00	04-17-17	1.000	3,000,000.00	1.814	2,998,860.00	0.56	
Federal Home Loan Bank	(1) 05-01-14	3,000,000.00	05-01-17	1.070	3,000,000.00	1.814	2,998,170.00	0.56	
Federal Home Loan Bank	(1) 05-05-14	3,000,000.00	05-05-17	1.000	3,000,000.00	1.814	3,000,180.00	0.56	
Federal Home Loan Bank	(1) 08-18-14	3,000,000.00	05-18-17	1.000	3,000,000.00	1.814	2,991,750.00	0.58	
Federal Home Loan Mortgage Corp.	(1) 06-26-14	3,000,000.00	06-26-17	1.000	3,000,000.00	1.814	2,993,640.00	0.60	
Federal Home Loan Bank	(1) 06-30-14	3,000,000.00	06-30-17	1.050	3,000,000.00	1.814	2,994,930.00	0.60	
Federal Home Loan Mortgage Corp.	(1) 07-07-14	3,000,000.00	07-07-17	1.000	3,000,000.00	1.814	2,995,860.00	0.60	01-07-15
Federal Home Loan Bank	(1) 07-14-14	3,000,000.00	07-14-17	1.050	3,000,000.00	1.814	2,992,260.00	0.60	
Federal National Mortgage Assoc.	(1) 09-15-14	3,000,000.00	08-15-17	1.100	3,000,000.00	1.814	2,998,920.00	0.63	
Federal Home Loan Mortgage Corp.	(1) 08-25-14	3,000,000.00	08-25-17	1.200	3,000,000.00	1.814	3,001,710.00	0.63	
Fed Farm Credit	(1) 08-28-14	3,000,000.00	08-28-17	1.090	3,000,000.00	1.814	2,994,360.00	0.63	
Federal National Mortgage Assoc.	(1) 09-15-14	3,000,000.00	09-15-17	1.100	3,000,000.00	1.814	2,998,920.00	0.65	
Federal Home Loan Bank	(1) 09-29-14	3,000,000.00	09-29-17	1.300	3,000,000.00	1.814	3,000,540.00	0.65	
Federal Home Loan Mortgage Corp.	(1) 09-29-14	3,000,000.00	09-29-17	1.200	3,000,000.00	1.814	2,987,610.00	0.65	

I N V E S T M E N T P O R T F O L I O

30 SEP 2014

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$) (2)	Average MATURITY (Months)	NEXT CALL DATE

Total Securities		101,993,382.00		0.872	102,000,000.00	61.669	101,863,320.00	17.88	
CERTIFICATE OF DEPOSITS									
FIRST NATIONAL BANK	03-03-14	95,000.00	03-03-15	0.350	95,000.00	0.057		0.00	

Total Certificate of Deposits				0.350	95,000.00	0.057		0.00	

LIQUID ACCOUNTS									
STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY				0.246	29,862,754.97	18.055		0.18	
COUNTY OF SAN MATEO - CITY OF REDWOOD CITY				0.700	33,440,388.12	20.218		0.20	

Total Liquid Accounts				0.486	63,303,143.09	38.273		0.38	

SUB-TOTAL				(average weighted yield)	0.724	165,398,143.09	100.00	18.27	

CASH AND INVESTMENTS WITH FISCAL AGENTS									
2000A PACIFIC SHORES-RESERVE FUND-MMF				0.000	1.67				
2003A RDA TAX ALLOCATION BONDS-CONSTRUCTION FUND MMF				0.000	108,909.34	0.747			
2003A RDA TAX ALLOCATION BONDS-FNMAMTN			11-07-16	0.400	1,547,629.12	10.612			
2006 WATER REVENUE BONDS-FFCB			06-19-17	1.000	1,500,000.00	10.285			
2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET				0.000	81,435.76	0.558			
2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT				5.451	950,950.00	6.520			
2012B RWC TRANS IMPRMT BONDS-RESERVE FUND-FHLMC				0.880	733,352.00	5.028			
2012B RWS TRANS IMPRVMT BONDS-SPECIAL TAX-MMF				0.000	0.58				
2012B RWX TRANS IMPRVMT BONDS-RESERVE FUND-MMF				0.010	12,322.52	0.084			
RDA PROJECT AREA #2 SERIES 2003A-SPECIAL FUND				0.000	3.70				
RECYCLE WATER 2007 RESERVE FUND -MMF				0.000	51,836.28	0.355			
RECYCLE WATER PROJECT 2007A-MMF				0.000	4,803.14	0.033			
RWC ONE MARINA 2011 CAPITALIZED INTEREST ACCOUNT				0.000	0.88				
RWC ONE MARINA 2011 IMPROVEMENT FUND				0.000	6.55				
RWC ONE MARINA 2011 RESERVE FUND				0.870	513,580.62	3.521			
RWC PACIFIC SHORES 2000-1 BOND FUND-SPECIAL TAX-MMF				0.000	1.17				
RWC PACIFIC SHORES 2000-1-FHLMC			03-10-17	0.880	551,278.40	3.780			
RWC PACIFIC SHORES 2000A-RESERVE FUND				0.010	12,546.63	0.086			

I N V E S T M E N T P O R T F O L I O

30 SEP 2014

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
RWC PFA WATER REVENUE REFUNDING BONDS SERIES 2013				0.030	2.95				
RWC PFA WTR REV REFUNDING BONDS SER2013-RESERVE-FHLMC			06-19-17	1.000	2,000,000.00	13.713			
RWC PFA WTR REV REFUNDING BONDS SERIES2013 RESERVE-CD				0.030	72,245.35	0.495			
TRAFFIC IMPACT FUND - MONEY MARKET				0.000	5,374,798.85	36.853			
WATER REVENUE REFUNDING BONDS 2013-GOOD FAITH DEPOSIT				0.000	4.07				
2007 WATER REV BONDS - LAIF				0.244	1,068,723.94	7.328			
Total with Fiscal Agents					14,584,433.52	100.0			
TOTAL BOTH PORTFOLIOS					<u>179,982,576.61</u>				

* Difference in value between Principal Amount and Market Value may be due to timing of purchase. Some of these investments may have been purchased when interest rates were low. Principal amount also indicates PAR (face) value and does not reflect whether investment was purchased at a discount or premium. As interest rates increase or decrease the value of the investment will decrease or increase accordingly. The City's investment intention is to hold the investments to maturity thereby receiving PAR value at maturity unless the City will realize a profit by liquidating the investment prior to maturity date.

(1) Denotes investments with a maturity greater than one (1) year.

(2) Market value obtained from the Principal Portfolio statement issued by Union Bank of California, Redwood City's third party administrator.

Investment Policy - Maturity of Investments Guidelines

As of 30 SEP 2014:

\$102,000,000.00 securities

\$95,000.00 cds

\$63,303,143.09 liquids

\$165,398,143.09 securities & liquid = "idle funds"

\$95,000.00 cds

\$63,303,143.09 liquids

3,001,140.00 FNMA

3,000,930.00 FNMA

3,001,230.00 FHLB

I N V E S T M E N T P O R T F O L I O

30 SEP 2014

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
		3,000,990.00	FHLMC						
		3,000,810.00	FHLB						
		3,000,810.00	FHLB						
		3,000,180.00	FHLB						
		3,001,710.00	FHLMC						
		3,000,540.00	FHLB						

		\$90,406,483.09	Total investments that can be sold at face value in emergency						

The following summarizes the City's investment policy liquidity and maturity requirements based on current surplus funds and the City's actual current standing:

- Policy:
- 1 Approximately 50% of idle funds will be placed in investments that can be sold at face value in event of emergency (liquid investments plus securities with market value at least equal to par value)
 - 2 Not more than 50% of idle funds shall be invested for more than one year (based on market value, maturity greater than one year)
 - 3 Not more than 25% of idle funds shall be invested for more than two years (based on market value, maturity greater than two years)

30 SEP 2014 result:	Policy Requirements Based on Current Investments	Actual Investments
	1 \$82,651,571.55	\$90,406,483.09
	2 \$82,651,571.55	\$101,863,320.00
	3 \$41,325,785.77	\$86,886,210.00