

REPORT

To the Honorable Mayor and City Council
From the City Manager

January 16, 2015

Subject

Monthly Investment Report for Period Ending December 31, 2014.

Background

The attached investment report indicates that on December 31, 2014 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$196,774,203.08 were invested producing an average yield of 0.763%. The target Fed Funds rate for December 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 December:

| Investment Type | Date purchased | Par Amount | Interest Rate | Matures |
|---------------------------------|----------------|-----------------|---------------|------------|
| Federal Home Loan Mortgage Corp | 12/05/2014 | \$ 3,000,000.00 | 1.125% | 12/05/2017 |
| Federal Home Loan Mortgage Corp | 12/11/2014 | \$ 3,000,000.00 | 1.249% | 11/28/2017 |
| Federal Home Loan Mortgage Corp | 12/12/2014 | \$ 3,000,000.00 | 1.250% | 12/12/2017 |
| Federal Home Loan Bank | 12/15/2014 | \$ 3,000,000.00 | 1.000% | 09/15/2017 |
| Federal Home Loan Bank | 12/15/2014 | \$ 3,000,000.00 | 1.000% | 09/15/2017 |
| Federal Home Loan Mortgage Corp | 12/19/2014 | \$ 3,000,000.00 | 1.200% | 12/19/2017 |

Securities matured, called, or sold in the month of December:

| Investment Type | Date | Par Amount | Interest Rate |
|------------------------|------------|-----------------|---------------|
| Federal Home Loan Bank | 12/10/2014 | \$ 3,000,000.00 | 0.900% |
| Federal Home Loan Bank | 12/17/2014 | \$ 3,000,000.00 | 0.900% |
| Federal Home Loan Bank | 12/29/2014 | \$ 3,000,000.00 | 1.300% |

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) | \$ 98,339,601.54 | \$ 97,778,133.08 |
| With maturity greater than one year (max) | \$ 98,339,601.54 | \$ 107,688,540.00 |
| With maturity greater than two year (max) | \$ 49,169,800.77 | \$ 95,721,450.00 |

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 Mischler Financial Group.

As of December 31 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

31 DEC 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 | | | | | | | | | | |
| Fed Farm Credit | (1) | 06-06-13 | 2,998,062.00 | 06-06-16 | 0.540 | 3,000,000.00 | 1.525 | 2,988,000.00 | 0.26 | |
| Federal Home Loan Mortgage Corp. | (1) | 10-07-13 | 2,993,220.00 | 09-14-16 | 0.728 | 3,000,000.00 | 1.525 | 2,991,690.00 | 0.30 | |
| Federal Home Loan Mortgage Corp. | (1) | 12-20-13 | 3,000,000.00 | 12-20-16 | 0.720 | 3,000,000.00 | 1.525 | 2,994,810.00 | 0.37 | |
| Federal Home Loan Mortgage Corp. | (1) | 12-27-13 | 3,000,000.00 | 12-27-16 | 0.500 | 3,000,000.00 | 1.525 | 2,992,590.00 | 0.37 | |
| Federal Home Loan Bank | (1) | 01-17-14 | 3,000,000.00 | 01-17-17 | 0.875 | 3,000,000.00 | 1.525 | 2,998,650.00 | 0.37 | |
| Federal Home Loan Bank | (1) | 01-21-14 | 3,000,000.00 | 01-17-17 | 0.088 | 3,000,000.00 | 1.525 | 2,998,650.00 | 0.37 | |
| Federal Home Loan Bank | (1) | 05-22-14 | 3,000,000.00 | 02-22-17 | 0.825 | 3,000,000.00 | 1.525 | 2,993,190.00 | 0.40 | |
| Federal Home Loan Bank | (1) | 05-22-14 | 3,000,000.00 | 02-22-17 | 0.825 | 3,000,000.00 | 1.525 | 2,993,190.00 | 0.40 | |
| Federal Home Loan Mortgage Corp. | (1) | 03-10-14 | 3,000,000.00 | 03-10-17 | 0.850 | 3,000,000.00 | 1.525 | 2,983,230.00 | 0.40 | |
| Federal Home Loan Mortgage Corp. | (1) | 03-17-14 | 3,000,000.00 | 03-17-17 | 0.850 | 3,000,000.00 | 1.525 | 2,995,560.00 | 0.40 | |
| Federal Home Loan Mortgage Corp. | (1) | 04-10-14 | 3,000,000.00 | 04-10-17 | 1.000 | 3,000,000.00 | 1.525 | 2,986,290.00 | 0.41 | |
| Federal Home Loan Bank | (1) | 04-17-14 | 3,000,000.00 | 04-17-17 | 1.000 | 3,000,000.00 | 1.525 | 2,992,830.00 | 0.41 | |
| Federal Home Loan Bank | (1) | 08-18-14 | 3,000,000.00 | 05-18-17 | 1.000 | 3,000,000.00 | 1.525 | 2,990,700.00 | 0.43 | |
| Federal Home Loan Mortgage Corp. | (1) | 06-26-14 | 3,000,000.00 | 06-26-17 | 1.000 | 3,000,000.00 | 1.525 | 2,987,400.00 | 0.46 | |
| Federal Home Loan Bank | (1) | 06-30-14 | 3,000,000.00 | 06-30-17 | 1.050 | 3,000,000.00 | 1.525 | 2,993,070.00 | 0.46 | |
| Federal Home Loan Mortgage Corp. | (1) | 07-07-14 | 3,000,000.00 | 07-07-17 | 1.000 | 3,000,000.00 | 1.525 | 3,000,390.00 | 0.46 | 01-07-15 |
| Federal Home Loan Bank | (1) | 07-14-14 | 3,000,000.00 | 07-14-17 | 1.050 | 3,000,000.00 | 1.525 | 2,990,790.00 | 0.46 | |
| Federal Home Loan Mortgage Corp. | (1) | 11-18-14 | 3,000,000.00 | 08-08-17 | 1.000 | 3,000,000.00 | 1.525 | 2,989,230.00 | 0.47 | |
| Federal National Mortgage Assoc. | (1) | 09-15-14 | 3,000,000.00 | 08-15-17 | 1.100 | 3,000,000.00 | 1.525 | 3,001,770.00 | 0.47 | |
| Fed Farm Credit | (1) | 08-28-14 | 3,000,000.00 | 08-28-17 | 1.090 | 3,000,000.00 | 1.525 | 2,989,230.00 | 0.49 | |
| Federal Home Loan Bank | (1) | 12-15-14 | 3,000,000.00 | 09-15-17 | 1.000 | 3,000,000.00 | 1.525 | 2,986,590.00 | 0.49 | |
| Federal Home Loan Bank | (1) | 12-15-14 | 3,000,000.00 | 09-15-17 | 1.000 | 3,000,000.00 | 1.525 | 2,986,590.00 | 0.49 | |
| Federal National Mortgage Assoc. | (1) | 09-15-14 | 3,000,000.00 | 09-15-17 | 1.100 | 3,000,000.00 | 1.525 | 3,001,770.00 | 0.49 | |
| Federal National Mortgage Assoc. | (1) | 11-14-14 | 2,998,140.00 | 09-20-17 | 1.020 | 3,000,000.00 | 1.525 | 2,989,140.00 | 0.50 | |
| Federal Home Loan Mortgage Corp. | (1) | 09-29-14 | 3,000,000.00 | 09-29-17 | 1.200 | 3,000,000.00 | 1.525 | 2,991,930.00 | 0.50 | |
| Federal Home Loan Bank | (1) | 10-30-14 | 3,000,000.00 | 10-30-17 | 1.250 | 3,000,000.00 | 1.525 | 2,986,650.00 | 0.52 | |
| Federal Home Loan Mortgage Corp. | (1) | 11-03-14 | 3,000,000.00 | 11-03-17 | 1.125 | 3,000,000.00 | 1.525 | 2,984,070.00 | 0.52 | |
| Fed Farm Credit | (1) | 11-06-14 | 2,997,375.00 | 11-06-17 | 1.030 | 3,000,000.00 | 1.525 | 2,981,760.00 | 0.52 | |
| Federal Home Loan Mortgage Corp. | (1) | 11-20-14 | 3,000,000.00 | 11-20-17 | 1.125 | 3,000,000.00 | 1.525 | 2,980,710.00 | 0.53 | |
| Federal Home Loan Mortgage Corp. | (1) | 11-21-14 | 3,000,000.00 | 11-21-17 | 1.050 | 3,000,000.00 | 1.525 | 2,994,060.00 | 0.53 | |
| Federal Home Loan Bank | (1) | 11-24-14 | 3,000,000.00 | 11-24-17 | 1.125 | 3,000,000.00 | 1.525 | 2,984,370.00 | 0.53 | |
| Federal National Mortgage Assoc. | (1) | 11-28-14 | 3,000,000.00 | 11-27-17 | 1.070 | 3,000,000.00 | 1.525 | 2,990,370.00 | 0.53 | |
| Federal Home Loan Mortgage Corp. | (1) | 12-11-14 | 3,000,000.00 | 11-28-17 | 1.250 | 3,000,000.00 | 1.525 | 2,997,060.00 | 0.53 | |
| Federal Home Loan Mortgage Corp. | (1) | 12-05-14 | 3,000,000.00 | 12-05-17 | 1.250 | 3,000,000.00 | 1.525 | 2,993,160.00 | 0.53 | |
| Federal Home Loan Mortgage Corp. | (1) | 12-12-14 | 3,000,000.00 | 12-12-17 | 1.250 | 3,000,000.00 | 1.525 | 2,994,510.00 | 0.53 | |

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

31 DEC 2014

| TYPE | DATE PURCHASED | PURCHASE PRICE (\$) | MATURITY DATE | YIELD % | PAR VALUE (\$) | % OF PORTFOLIO | MARKET VALUE (\$)(2) | Average MATURITY (Months) | NEXT CALL DATE |
|---|-------------------|------------------------|--------------------------|------------|-------------------|-------------------|-------------------------|---------------------------------|----------------------|
| Federal Home Loan Mortgage Corp. | (1) 12-19-14 | 3,000,000.00 | 12-19-17 | 1.200 | 3,000,000.00 | 1.525 | 2,994,540.00 | 0.55 | |
| Total Securities | | 107,986,797.00 | | 0.976 | 108,000,000.00 | 54.885 | 107,688,540.00 | 16.44 | |
| CERTIFICATE OF DEPOSITS | | | | | | | | | |
| FIRST NATIONAL BANK | 03-03-14 | 95,000.00 | 03-03-15 | 0.350 | 95,000.00 | 0.048 | | 0.00 | |
| Total Certificate of Deposits | | | | 0.350 | 95,000.00 | 0.048 | | 0.00 | |
| LIQUID ACCOUNTS | | | | | | | | | |
| STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY | | | | 0.267 | 41,297,554.34 | 20.987 | | 0.21 | |
| COUNTY OF SAN MATEO - CITY OF REDWOOD CITY | | | | 0.710 | 47,381,648.74 | 24.079 | | 0.24 | |
| Total Liquid Accounts | | | | 0.504 | 88,679,203.08 | 45.066 | | 0.45 | |
| SUB-TOTAL | | | (average weighted yield) | 0.763 | 196,774,203.08 | 100.00 | | 16.89 | |
| 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 | 0.754 | | | |
| 2003A RDA TAX ALLOCATION BONDS-FNMAMTN | | | 11-07-16 | 0.400 | 1,552,258.97 | 10.743 | | | |
| 2006 WATER REVENUE BONDS-FFCB | | | 06-19-17 | 1.000 | 1,500,000.00 | 10.381 | | | |
| 2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET | | | | 0.000 | 81,435.76 | 0.564 | | | |
| 2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT | | | | 5.451 | 950,950.00 | 6.581 | | | |
| 2012B RWC TRANS IMPRMT BONDS-RESERVE FUND-FHLMC | | | | 0.880 | 733,352.00 | 5.075 | | | |
| 2012B RWS TRANS IMPRVMT BONDS-SPECIAL TAX-MMF | | | | 0.000 | 0.67 | | | | |
| 2012B RWX TRANS IMPRVMT BONDS-RESERVE FUND-MMF | | | | 0.010 | 12,322.70 | 0.085 | | | |
| RDA PROJECT AREA #2 SERIES 2003A-SPECIAL FUND | | | | 0.000 | 3.70 | | | | |
| RECYCLE WATER 2007 RESERVE FUND -MMF | | | | 0.000 | 51,836.28 | 0.359 | | | |
| RECYCLE WATER PROJECT 2007A-MMF | | | | 0.000 | 2,545.75 | 0.018 | | | |
| RWC ONE MARINA 2011 CAPITALIZED INTEREST ACCOUNT | | | | 0.000 | 1.06 | | | | |
| RWC ONE MARINA 2011 IMPROVEMENT FUND | | | | 0.000 | 6.55 | | | | |
| RWC ONE MARINA 2011 RESERVE FUND | | | | 0.870 | 513,581.57 | 3.554 | | | |
| RWC PACIFIC SHORES 2000-1 BOND FUND-SPECIAL TAX-MMF | | | | 0.000 | 1.40 | | | | |

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

31 DEC 2014

| TYPE | DATE PURCHASED | PURCHASE PRICE (\$) | MATURITY DATE | YIELD % | PAR VALUE (\$) | % OF PORTFOLIO | MARKET VALUE (\$)(2) | Average MATURITY (Months) | NEXT CALL DATE |
|---|-------------------|------------------------|------------------|------------|-----------------------|-------------------|-------------------------|---------------------------------|----------------------|
| RWC PACIFIC SHORES 2000-1-FHLMC | | | 03-10-17 | 0.880 | 551,278.40 | 3.815 | | | |
| RWC PACIFIC SHORES 2000A-RESERVE FUND | | | | 0.010 | 12,546.81 | 0.087 | | | |
| 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 | 13.841 | | | |
| RWC PFA WTR REV REFUNDING BONDS SERIES2013 RESERVE-CD | | | | 0.030 | 82,250.75 | 0.569 | | | |
| TRAFFIC IMPACT FUND - MONEY MARKET | | | | 0.000 | 5,236,833.39 | 36.242 | | | |
| WATER REVENUE REFUNDING BONDS 2013-GOOD FAITH DEPOSIT | | | | 0.000 | 4.07 | | | | |
| 2007 WATER REV BONDS - LAIF | | | | 0.244 | 1,059,387.17 | 7.332 | | | |
| Total with Fiscal Agents | | | | | 14,449,510.96 | 100.0 | | | |
| TOTAL BOTH PORTFOLIOS | | | | | <u>211,223,714.04</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 31 DEC 2014:

\$108,000,000.00 securities

\$95,000.00 cds

\$88,679,203.08 liquids

\$196,774,203.08 securities & liquid = "idle funds"

\$95,000.00 cds

\$88,679,203.08 liquids

3,000,390.00 FHLMC

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

31 DEC 2014

| TYPE | DATE PURCHASED | PURCHASE PRICE (\$) | MATURITY DATE | YIELD % | PAR VALUE (\$) | % OF PORTFOLIO | MARKET VALUE (\$)(2) | Average MATURITY (Months) | NEXT CALL DATE |
|-------|---|------------------------|------------------|------------|-------------------|-------------------|-------------------------|---------------------------------|----------------------|
| | 3,001,770.00 | FNMA | | | | | | | |
| | 3,001,770.00 | FNMA | | | | | | | |
| ----- | | | | | | | | | |
| | \$97,778,133.08 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)

| 31 DEC 2014 result: | Policy Requirements Based on Current Investments | Actual Investments |
|------------------------|--|-----------------------|
| | ----- | ----- |
| | 1 \$98,339,601.54 | \$97,778,133.08 |
| | 2 \$98,339,601.54 | \$107,688,540.00 |
| | 3 \$49,169,800.77 | \$95,721,450.00 |