

CITY COUNCIL AGENDA

Date: **March 25, 2014**

TO: **City Council**

FROM: **June Overholt, Administrative Services Director/Deputy City Manager**

SUBJECT: **Report of Investments for February 2014**

RECOMMENDATION: The City Council receive and file the monthly *Report of Investments*.

JUSTIFICATION: State law requires that a monthly report of investments be submitted to the Governing Legislative Body.

BACKGROUND/ANALYSIS: This report includes investments on hand at the end of February 2014. As of February 28, 2014, the City's operating funds totaled \$72,377,628. Included in Successor Agency operating funds is \$719,338 of restricted CRA bond proceeds that are on deposit with LAIF and reflected separately on the Summary Schedule.

As of February 28, 2014 approximately 39% of the City's unrestricted cash balances were invested in investments other than LAIF.

The February Investment Report includes the following documents:

- Summary Schedule of Cash and Investments
- Operational Portfolio Individual Investments
- Individual Investments with Fiscal Agent
- Investment Report Supplemental Information

Responses to our request for proposal (RFP) have been received and are pending review to determine whether investment earnings could be improved enough to cover the administrative costs of an investment management firm. An investment management firm would provide input on updating the investment policy, provide quarterly reports to the city, and provide daily management of investments. Results of the RFP process will be presented to council as a separate matter.

FISCAL DATA: The latest reports from the State indicate that the average interest achieved by the Local Agency Investment Fund (LAIF) decreased to 0.236% in February. The average rate for all investments in February was 0.330%.

APPROVED BY:



June Overholt
Interim City Manager

Summary Schedule of Cash and Investments**Operating Funds**Petty CashBank Accounts

Wells Fargo Bank	
Bank of America-Airport	
Bank of America-Parking Citations	
Bank of America-CNG Station	

	Amount
	3,705
Interest	
Rate	Amount
0.000%	448,304
0.300%	3,345
0.300%	3,013
0.300%	<u>3,198</u>

<i>Money Market and Bank Account Sub-Total</i>	457,860
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Government Pools

Account #1 Operating Amount	41,817,827
Account #1 CRA Bond Cash Bal	719,338
Local Agency Investment Fund: Account #1	0.236% 42,537,165
Account #2 Successor Agency Cash Bal	0
Local Agency Investment Fund: Account #2	0.236% <u>0</u>

<i>Government Pool Sub-Total</i>	<u>42,537,165</u>
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Operating Cash Balance	42,998,730
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Restricted Operating Funds

Riverside Public Utilities- Highmark U.S. Government Money Market Fund	0.010%	1,562,637
California ISO Corp- Union Bank		100,161
Worker's Compensation Program- (PERMA)		1,931,534

Other Investments

Investments-US Bank/Piper Jaffray - See Page 2	0.491%	25,784,566
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<i>Operating Funds Total</i>	<u>72,377,628</u>
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Fiscal Agent

US Bank

	Amount
	<u>35,390,667</u>

<i>Fiscal Agent Total</i>	<u>35,390,667</u>
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City of Banning Investment Report

Operational Portfolio Individual Investments

February 28, 2014

Par Value	Investment Description	Coupon Rate	Interest Rate	Maturity Date	Purchase Date	Date	Discount or (Premium) Amortization	Market Value
<u>Bank Accounts</u>								
448,304	Wells Fargo Bank-Operating	n/a	0.00%	daily	varies	448,304	n/a	448,304
-	Wells Fargo Bank-Investment Acct	n/a	0.10%	daily	varies	-	n/a	-
3,345	Bank of America-Airport	n/a	0.30%	daily	varies	3,345	n/a	3,345
3,013	Bank of America-Parking Citations	n/a	0.30%	daily	varies	3,013	n/a	3,013
3,198	Bank of America-Parking Citations	n/a	0.30%	daily	varies	3,198	n/a	3,198
Sub-total								457,860
<u>Government Pools</u>								
42,537,165	L.A.I.F. account #1	n/a	0.236%	daily	varies	42,537,165	n/a	42,537,165
0	L.A.I.F. account #2	n/a	0.236%	daily	varies	0	n/a	0
								42,537,165
<u>Investments-US Bank/Piper Jaffray</u>								
3,000,000	Federal Home Loan Bks	n/a	0.500%	4/11/2016	4/11/2013	3,000,000		3,001,200
1,000,000	FHLMC Mtn	n/a	0.570%	6/20/2016	6/6/2013	1,000,000		1,000,230
1,000,000	FNMA	n/a	0.750%	12/19/2016	6/19/2013	1,000,000		999,870
1,000,000	FNMA Deb	n/a	0.550%	6/6/2016	6/20/2013	1,000,000		999,800
3,000,000	FNMA	n/a	1.125%	1/30/2017	7/30/2013	3,000,000		3,009,960
3,000,000	Federal Farm Credits Bks	n/a	0.940%	7/15/2016	7/15/2013	3,000,000		3,005,580
2,000,000	FHLMC Mtn	n/a	0.250%	6/24/2016	12/24/2013	2,000,000		2,000,200
2,000,000	FHLMC Mtn	n/a	0.500%	6/27/2016	12/27/2013	2,000,000		2,000,140
2,000,000	FHLMC Mtn	n/a	0.750%	12/27/2016	12/27/2013	2,000,000		2,000,320
7,767,266	Money Market	n/a	0.010%	daily	varies	7,767,266	0	7,767,266
US Bank/Piper Jaffray Average Rate=					0.491%			25,784,566

Average Rate All= 0.330%

It has been verified that this investment portfolio is in conformity with the City of Banning's investment policy which was approved by the City Council on September 24, 2013. The Treasurer's cash management program provides sufficient liquidity to meet estimated future expenditures for a period of six months. The weighted average maturity of the pooled investment portfolio is 237 days and does not include Bond Reserve Fund Investments.

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City of Banning Investment Report
Individual Investments with Fiscal Agent

February 28, 2014

Bond Issue Description	Bond Maturity Date	Investment Description	Current Yield	Bond Reserve Bond Maturity Date	Minimum Reserve Requirement	Feb-14	2/28/2014 Market Value
COB IMPROVEMENT DISTRICT LIMITED OBLIGATION BONDS SERIES 2005A							
2005 Fair Oaks Ranch Estates	2035	US Bank Mmkt 5-Ct	0.030%	daily	188,943	4.79	281,185
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF BANNING TAX ALLOCATION, SERIES 2003							
2003 CRA Tax Allocation Bonds	2028	US Treasury Bill	4.61%	7/28/2011	971,763	1.37	1,001,353
		US Bank Mmkt 5-Ct	0.030%	daily		0.55	
		US Bank Mmkt 5-Ct	0.000%	daily		4.35	
Surplus Fund		US Bank Mmkt 5-Ct	0.000%	daily			12
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF BANNING TAX ALLOCATION PARITY BONDS, SERIES 2007							
Redevelop Fund	2037	US Bank Mmkt 5-Ct	0.030%	daily		212.26	8,331,005
		US Bank Mmkt 5-Ct	0.000%	daily		9.92	10
Reserve Fund		US Bank Mmkt 5-Ct	0.030%	daily	1,880,751	47.79	1,875,290
Special Fund		US Bank Mmkt 5-Ct	0.030%	daily		1.42	0
Surplus Fund		US Bank Mmkt 5-Ct	0.000%	daily			11
BUA - WASTEWATER ENTERPRISE REVENUE BONDS REFUNDING AND IMPROVEMENT PROJECTS 2005 SERIES							
Interest Account		US Bank Mmkt 5-Ct	0.000%	daily			2
Principal Account		US Bank Mmkt 5-Ct	0.000%	daily			4
		US Bank Mmkt 5-Ct	0.030%	daily		83.96	3,295,189
BUA - WATER ENTERPRISE REVENUE BONDS REFUNDING AND IMPROVEMENT PROJECTS 2005 SERIES							
Interest Account		US Bank Mmkt 5-Ct	0.000%	daily			10
Principal Account		US Bank Mmkt 5-Ct	0.050%	daily			20
Reserve Fund		US Bank Mmkt 5-Ct	0.030%	daily	2,310,710	58.88	2,311,029
Project Fund		US Bank Mmkt 5-Ct	0.030%	daily		40.81	1,601,884
BFA - ELECTRIC SYSTEM REVENUE BONDS 2007 SERIES							
		US Bank Mmkt 5-Ct	0.000%	daily			13
		US Bank Mmkt 5-Ct	0.030%	daily	2,672,050	68.09	2,672,320
Acquisition & Construction		US Bank Mmkt 5-Ct	0.030%	daily		357.25	14,021,329
*Paid Semi-Annually-Deposited into Money Mkt Account						Total	891.44
							35,390,667

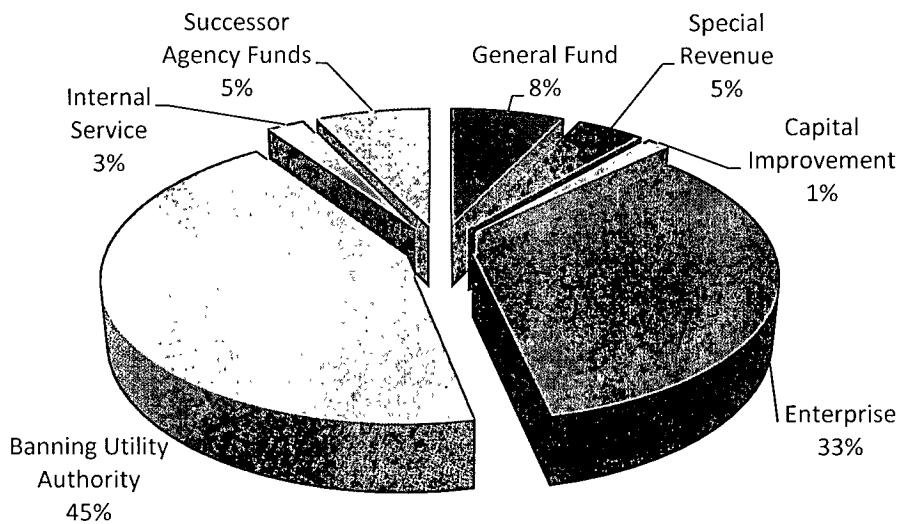
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City of Banning

Investment Report Supplemental Information

Pooled Cash Distribution

Investment reports for cities typically do not include the cash balance of the individual funds that make up the total pooled cash. This is primarily due to timing differences between when investment reports are prepared and when month end accounting entries are posted. Investment reports are usually prepared first. However, the pie chart below provides an understanding of the percentage distribution of the investments by fund type. The percentages were calculated using the average cash balances from the twelve month period of January 2013 to December 2013. *(The percentages will be updated quarterly.)*



The Table below describes the funds that are included within the Fund Types used for the pie chart.

Fund Type	Description of funds
Governmental	General Fund
Special Revenue	Restricted Funds (i.e. CFDs, grants)
Capital Improvement	Development Impact Fee funds
Enterprise	Airport, Transit, Refuse, Electric
Banning Utility Authority	Water, Wastewater, Reclaimed water
Internal Service	Risk Management, Fleet, IT, Utility Services
Successor Agency Funds	Previously called Redevelopment Agency

Summary Schedule – Line item descriptions

Petty Cash –

The City maintains petty cash in various departments for incidental purchases. This line item includes the cash drawers for cashiering in utility billing.

Bank Accounts –

- Wells Fargo Bank – This is the City checking account. All cash receipts, payroll and accounts payables checks are processed through this account. Balances fluctuate based on activity and cash flow needs. As excess funds accumulate, they are transferred to LAIF to increase earnings.
- Bank of America – Airport – The City maintains a Trust account for credit card purchases made at the airport. When the account balance exceeds \$3000, excess funds are transferred to the Wells Fargo Bank account.
- Bank of America – Parking Citations – The City maintains a Trust account for the processing of parking citations through Turbo Data. When the account balance exceeds \$3000, excess funds are transferred to the Wells Fargo Bank account.
- Bank of America – CNG – The City maintains a Trust account for credit card purchases of CNG fuel made at the City yards. When the account balance exceeds \$3000, excess funds are transferred to the Wells Fargo Bank account.

Government Pools –

- Local Agency investment Fund – Account #1
 - This account includes both City pooled funds and a restricted cash balance related to the CRA bonds. Investments in LAIF are limited to \$50M.
- Local Agency investment Fund – Account #2
 - There is currently no balance in this account.
 - Note: When the State established the cutoff date of January 31, 2012 for the elimination of the Redevelopment Agency, LAIF staff recommended a transfer of the available balance from the CRA account to the City account to protect the funds from a rumored State raid or freezing of the funds.

Restricted Operating Funds at Riverside Public Utilities –

The City Electric operation has an agreement with Riverside Public Utilities (RPU) to purchase power for the City. Part of the agreement requires that the City maintain a balance in the trust account used by RPU. The City does not control the investments or earnings of the trust account.

Restricted Operating Funds at California ISO-

The California ISO facilitates the purchase and sale of the City's electricity. The City participates in periodic Congestion Revenue Rights (CRR) auctions to acquire financial hedges for transmission congestion. In order to participate in the CRR auctions the City was required to have a secured form of financial security in the amount of \$100,000. A cash deposit was placed with Union Bank in March, 2012 to meet the requirements. The account is an interest bearing collateral account.

Summary Schedule – Line item descriptions – Cont.

Restricted Operating Funds at PERMA-

The City participates in a JPA with the Public Entity Risk Management Authority (PERMA), who provides administration for the City's worker's compensation insurance program. PERMA requires the City to deposit funds into an account used by PERMA for the payment of worker's compensation claims. The City does not control the investments or earnings of this account.

Other Investments –

Currently the City works with a Piper Jaffray broker to make various investments per the City policy and in accordance with State guidelines. The Broker is not on retainer, nor do they receive a City paid fee with each investment. Funds in the Money Market fluctuate as securities mature or get called. Staff is in the process of investing the Money Market funds over several months. We will be adding an additional broker to provide more investment options.

Fiscal Agent / US Bank –

Unspent bond proceeds and required bond reserves are invested by the Fiscal Agent in accordance with the bond documents.