

## CITY COUNCIL AGENDA

**Date:** December 9, 2014

**TO:** City Council

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

**SUBJECT:** Report of Investments for October 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 October 2014. As of October 31, 2014, the City's operating funds totaled \$72,963,992. Included in Successor Agency operating funds is \$762,102 of restricted CRA bond proceeds that are on deposit with LAIF and reflected separately on the Summary Schedule.

As of October 31, 2014 approximately 38% of the City's unrestricted cash balances were invested in investments other than LAIF.

The October 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

The attached Summary Schedule of Cash and Investments has been updated to show the rate of earnings allowance received from Wells Fargo Bank. The amount earned reduces the total amount of bank fees charged.

Staff has also enhanced the Investment Report Supplemental Information to provide additional information related to Wells Fargo that will further facilitate the understanding of the Investment Report.

**FISCAL DATA:** The latest reports from the State indicate that the average interest achieved by the Local Agency Investment Fund (LAIF) was increased to 0.261% in October. The average rate for all investments in October was 0.351%.

### RECOMMENDED AND APPROVED BY:

  
June Overholt  
Acting City Manager

**Summary Schedule of Cash and Investments**

<b>Operating Funds</b>		<u>Amount</u>
<u>Petty Cash</u>		3,705

Bank Accounts

	Interest	
	Rate	Amount
Wells Fargo Bank	0.200% *	544,643
Bank of America-Airport	0.020%	6,972
Bank of America-Parking Citations	0.020%	3,166
Bank of America-CNG Station	0.020%	6,016

*Money Market and Bank Account Sub-Total* 560,797

Government Pools

Account #1 Operating Amount	42,794,736	
Account #1 CRA Bond Cash Bal.	762,102	
Local Agency Investment Fund: Account #1		0.261% 43,556,838
Account #2 Successor Agency Cash Bal	0	
Local Agency Investment Fund: Account #2		0.261% 0

*Government Pool Sub-Total* 43,556,838

**Operating Cash Balance** **44,121,340**

Restricted Operating Funds

Riverside Public Utilities- Highmark U.S. Government Money Market Fund	0.010%	1,064,783
California ISO Corp- Union Bank		100,181
Worker's Compensation Program- (PERMA)		1,825,957

Other Investments

Investments-US Bank/Piper Jaffray - See Page 2	0.505%	25,851,730
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***Operating Funds Total*** **72,963,992**

<b>Fiscal Agent</b>		<u>Amount</u>
US Bank		35,816,811

***Fiscal Agent Total*** **35,816,811**

\* Rate of earnings allowance received, offsets analyzed bank charges.

## Operational Portfolio Individual Investments

Par Value	Investment Description	Coupon Rate	Interest Rate	Maturity Date	Purchase Date	Discount or Premium	Amortization	Market Value
<u>Bank Accounts</u>								
544,643	Wells Fargo Bank-Operating	n/a	0.20%	daily	varies	544,643	n/a	544,643
6,972	Bank of America-Airport	n/a	0.02%	daily	varies	6,972	n/a	6,972
3,166	Bank of America-Parking Citations	n/a	0.02%	daily	varies	3,166	n/a	3,166
6,016	Bank of America-Parking Citations	n/a	0.02%	daily	varies	6,016	n/a	6,016
	Sub-total							560,797
<u>Government Pools</u>								
43,556,838	L.A.I.F. account #1	n/a	0.261%	daily	varies	43,556,838	n/a	43,556,838
0	L.A.I.F. account #2	n/a	0.261%	daily	varies	0	n/a	0
								43,556,838
<u>Investments-US Bank/Piper Jaffray</u>								
1,000,000	FHLMC Mtn	n/a	0.570%	6/20/2016	6/6/2013	1,000,000		998,640
1,000,000	FNMA	n/a	0.750%	12/19/2016	6/19/2013	1,000,000		998,000
2,000,000	FHLMC Mtn	n/a	0.375%	6/24/2016	12/24/2013	2,000,000		2,000,300
2,000,000	FHLMC Mtn	n/a	0.500%	6/27/2016	12/27/2013	2,000,000		1,996,500
2,000,000	FHLMC Mtn	n/a	0.750%	12/27/2016	12/27/2013	2,000,000		2,001,160
2,000,000	Federal Home Loan Bks	n/a	0.700%	12/27/2016	3/27/2014	2,000,000		1,999,360
2,000,000	Federal Home Loan Bks	n/a	0.900%	3/27/2017	3/27/2014	2,000,000		1,994,680
2,000,000	Federal Home Loan Bks	n/a	0.500%	7/15/2016	4/15/2014	2,000,000		1,998,980
1,000,000	Federal Home Loan Bks	n/a	1.050%	4/17/2017	4/17/2014	1,000,000		1,001,230
1,700,000	FHLMC Mtn	n/a	0.700%	12/30/2016	6/30/2014	1,700,000		1,699,966
3,000,000	Federal Home Loan Bks	n/a	0.660%	10/7/2016	7/14/2014	3,000,000		3,000,090
6,162,824	Money Market	n/a	0.010%	daily	varies	6,162,824	0	6,162,824
	US Bank/Piper Jaffray Average Rate=		0.505%					25,851,730
	Average Rate All=		0.351%					

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 202 days and does not include Bond Reserve Fund Investments.

City of Banning Investment Report  
Individual Investments with Fiscal Agent

October 31, 2014

Bond Issue Description	Bond Maturity Date	Investment Description	Current Yield	Bond Reserve Bond Maturity Date	Minimum Reserve Requirement	Oct-14	10/31/2014 Market Value
<b>COB IMPROVEMENT DISTRICT LIMITED OBLIGATION BONDS SERIES 2005A</b>							
2005 Fair Oaks Ranch Estates	2035	US Bank Mkt 5-Ct	0.030%	daily	188,024	4.75	188,040
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF BANNING TAX ALLOCATION, SERIES 2003			4.61%	7/28/2011 daily	971,250	0.52	991,980
2003 CRA Tax Allocation Bonds	2028	US Treasury Bill US Bank Mkt 5-Ct US Bank Mkt 5-Ct US Bank Mkt 5-Ct	0.030% 0.060% 0.000%	daily daily daily			21,324 18 12
<b>Surplus Fund</b>							
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF BANNING TAX ALLOCATION PARITY BONDS, SERIES 2007			0.030%	daily			
Redevelop Fund	2037	US Bank Mkt 5-Ct US Bank Mkt 5-Ct US Bank Mkt 5-Ct US Bank Mkt 5-Ct	0.030% 0.030% 0.030% 0.000%	daily daily daily daily	205.46 46.24		8,332,457 1,875,288 32 11
<b>BUA - WASTEWATER ENTERPRISE REVENUE BONDS REFUNDING AND IMPROVEMENT PROJECTS 2005 SERIES</b>							
Interest Account		US Bank Mkt 5-Ct US Bank Mkt 5-Ct US Bank Mkt 5-Ct	0.030% 0.030% 0.030%	daily daily daily			
Principal Account					1.91	198,720 77,510	
<b>BUA - WATER ENTERPRISE REVENUE BONDS REFUNDING AND IMPROVEMENT PROJECTS 2005 SERIES</b>							
Interest Account		US Bank Mkt 5-Ct US Bank Mkt 5-Ct US Bank Mkt 5-Ct US Bank Mkt 5-Ct	0.030% 0.030% 0.030% 0.030%	daily daily daily daily			
Principal Account					81.09	1,154,533 402,551 2,311,889 1,602,203	
Reserve Fund							3,265,931
Project Fund							
<b>BFA - ELECTRIC SYSTEM REVENUE BONDS 2007 SERIES</b>							
Acquisition & Construction		US Bank Mkt 5-Ct US Bank Mkt 5-Ct US Bank Mkt 5-Ct	0.040% 0.030% 0.030%	daily daily daily	2,672,050 324.39	65.90 2,672,582 12,722,306	25
<b>Total</b>							
					836.69	35,816,811	

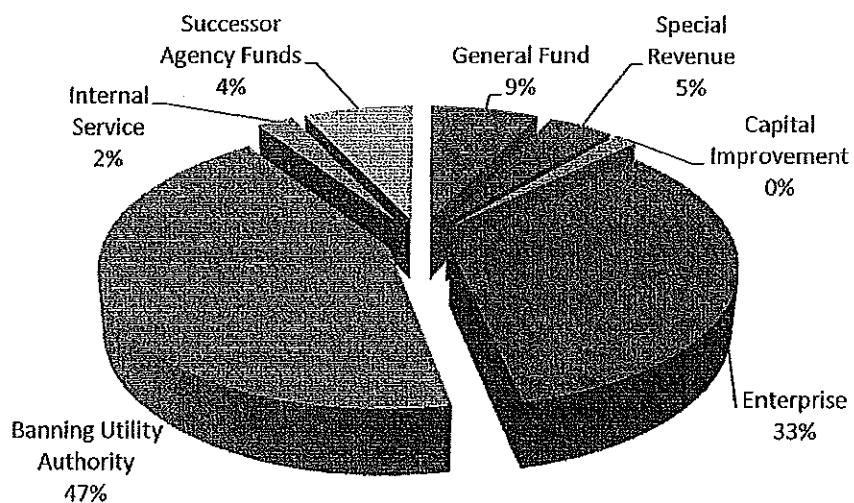
\*Paid Semi-Annually-Deposited into Money Mkt Account

## 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 Oct. 2013 to Sept. 2014. *(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 –**

When reviewing the *Report of Investments*, please keep in mind that the balances shown on the *Summary Schedule of Cash and Investments* for bank accounts are “statement” balances. They reflect what the financial institution has on hand as of particular date and lists on their statement. They are not “general ledger” balances. General ledger balances reflect all activity through a particular date (i.e. all checks that have been written and all deposits that have been made) and is what we show on our books (the general ledger). The general ledger balance more accurately reflects the amount of cash we have available.

It should be noted that statement balances and general ledger balances can differ significantly. For example – on June 30<sup>th</sup> the statement balance for Wells Fargo Bank could show \$1,000,000, however, staff may have prepared a check run in the amount of \$750,000 on the same day. Our general ledger balance would show \$250,000, as the Wells Fargo statement does not recognize the checks that have been issued until they clear the bank.

For investment decisions and cash handling purposes staff relies on the balance in the general ledger. Staff does not invest funds that are not available. Sufficient funds must be kept in the bank accounts to cover all checks issued.

- 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. The Summary Schedule of Cash and Investments shows the rate of earnings allowance received from the bank. The amount earned reduces the total amount of bank fees charged.
- 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.

## Summary Schedule – Line item descriptions – Cont.

### ***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.

### ***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.