



Report to the Auburn City Council

Action Item
Agenda Item No.

City Manager's Approval

To: Honorable Mayor and City Council Members
From: Donna Silva, City Treasurer
Andy Heath, Finance Director
Date: August 27, 2018
Subject: Quarterly Report of Investments – Quarter Ending June 30, 2018

The Issue

The City Council is required by state law and the City of Auburn's Investment Policy to receive and review a Quarterly Investment Report.

Recommended Action Requested

Receive, review and file the "*City of Auburn Quarterly Investment Report*" for the quarter ending June 30, 2018.

Background

The purpose of the treasurer's report is to update the City Council and the public on the status of the City's cash balances and investments, and highlight material changes from one period to another. The scope of this report covers the fourth quarter of fiscal year 2017-2018, ending June 30, 2018.

The City's investment objectives are established by the City Council approved Investment Policy. The Investment Policy is guided and constrained by the California Government Code. The City Council periodically reviews and adjusts the Investment Policy to ensure ongoing compliance with the government code and to maximize investment flexibility as permitted. The current Investment Policy has the following objectives for the portfolio:

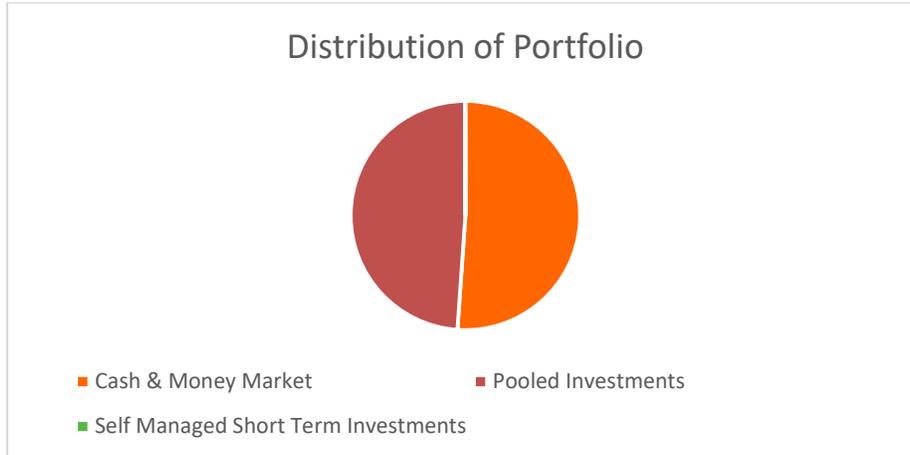
1. Safety
2. Liquidity
3. Yield

Attached is the quarterly Treasurer's Report for the three months ended June 30, 2018.

At March 31, 2018, the end of the previous quarter, the value of the City's total portfolio was \$14.3 million. Since that time, the value of the City's portfolio increased by \$2.6 million for an ending balance of \$16.9 million as of June 30, 2018. The increase is due receipt of the May distribution of property tax revenues.

The funds are currently held as follows:

Cash at Banking Institutions	\$ 9,886,730.51
Placer County Investment Pool	\$ 6,975,333.04
Local Agency Investment Fund (LAIF)	\$ 43,540.69
Self-Managed Short Term Investments	\$ 3,875.00



In order to efficiently maximize yields, the City Finance Director and Treasurer periodically analyze cash flow needs to determine when additional transfers can be made into and out of the Placer County investment pool, without risking a funding shortfall in the general checking account. However, as previously reported, the percent of the total portfolio currently in the Placer County Pool (the pool) is more than the current investment policy allows. The policy allows for up to 25% of the portfolio to be held in the pool. As of June 30, 2018, 41% of the portfolio was in the pool. In accordance with direction from the City Council, staff is moving \$2.8 million from the pool into other accounts during the week of August 20, 2018 to return the portfolio to conformance with the policy. The movement of cash is expected to be completed by the effective date of this report (signature cards are being updated to reflect current authorized officials). A Federal Agency Bond matured in February 2018, resulting in a cash balance with the Union Bank securities trustee. The Finance Director and Treasurer are exploring options to find alternative investment options for the City.

The City's Investment Policy is currently being updated. Consideration will be given as to whether or not the Policy should allow a greater percentage of the portfolio to be held in the pool.

Fiscal Impact

None. All investments held at June 30, 2018 conform to the State and California Government Code and the City's Investment Policy, with the exception of the amount of the portfolio investment in the Placer County Investment Pool which is in excess of the

amount allowed by the City's Investment Policy, but is an allowable investment per the State Government Code.

**City of Auburn
Treasurer's Report
June 30 2018**

	Yield %	Par Value	Cost	March 31, 2018 Market Value	Current Market Value	Maturity Date	Change
CASH & DEMAND DEPOSITS:							
Wells Fargo - Commercial Checking				\$ 6,239,884.56	\$ 8,833,941.17	na	\$ 2,594,056.61
Union Bank - Principal Cash				\$ 509,301.90	\$ 505,167.86	na	\$ (4,134.04)
Bank of America - Recology				\$ 127,923.14	\$ 121,039.67	na	\$ (6,883.47)
Wells Fargo - Payroll Checking				\$ 34,677.87	\$ 30,399.67	na	\$ (4,278.20)
Wells Fargo - CDBG				\$ 381,458.61	\$ 381,487.14	na	\$ 28.53
Hilltop Securities - Money Market	0.05%			\$ 14,681.25	\$ 14,695.00	na	\$ 13.75
TOTAL CASH & DEMAND DEPOSITS				\$ 7,307,927.33	\$ 9,886,730.51		\$ 2,578,803.18
POOLED INVESTMENTS							
Local Agency Investment Fund (LA	0.978%			\$ 43,379.29	\$ 43,540.69	na	\$ 161.40
Placer County Investment Pool	1.432%			\$ 6,942,957.35	\$ 6,975,333.04	na	\$ 32,375.69
TOTAL POOLED INVESTMENTS				\$ 6,986,336.64	\$ 7,018,873.73		\$ 32,537.09
SELF MANAGED SHORT-TERM INVESTMENTS							
<i>Corporate Bonds:</i>							
Mnlehman Brothers HLRR ¹	0.000%	125,000.00	66,451.26	5,062.50	3,875.00	2012 ¹	\$ (1,187.50)
TOTAL SHORT TERM and POOLED INVESTMENTS		\$ 125,000.00	\$ 66,451.26	\$ 5,062.50	\$ 3,875.00		\$ (1,187.50)
TOTAL CASH & INVESTMENTS				\$ 14,299,326.47	\$ 16,909,479.24		\$ 2,610,152.77

Restricted Bond Funds Excluded from report

¹ Lehman Brothers entered Chapter 11 bankruptcy proceedings in September 2008. This corporate bond matured in 2012 but redemption is constrained by the bankruptcy plan. The City receives periodic principal repayments on this bond. To date, 14 distributions have been received. The original par value of the bond was \$125,000. As a result of the distributions, the current par value is \$66,451.26.