



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: March 26, 2018
Subject: Quarterly Report of Investments – Quarter Ending December 31, 2017

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 December 31, 2017.

Background

The purpose of the treasurer's report is to update the Board 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 second quarter of fiscal year 2017-2018, ending December 31, 2017.

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

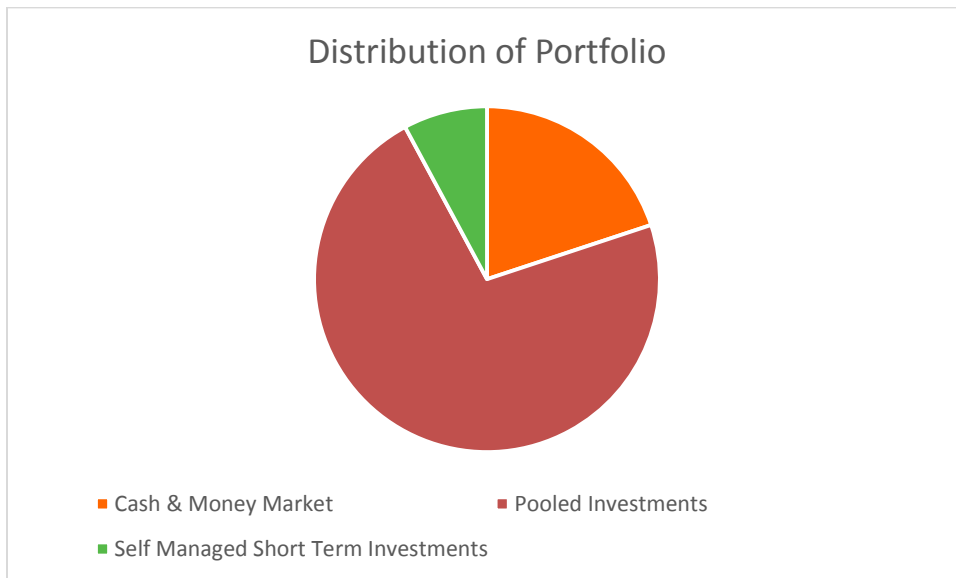
Attached is the quarterly Treasurer's Report for the three months ended December 31, 2017.

At September 30, 2017, the end of the previous quarter, the value of the City's total portfolio was \$7.4 million. Since that time, the value of the City's portfolio increased by

\$2.2 million for an ending balance of \$9.6 million as of December 31, 2017. The increase is due primarily to the receipt of over \$5 million in reimbursements for the Oxidation ditch project and other Wastewater Treatment facility improvement projects.

The funds are currently held as follows:

Cash at Banking Institutions	\$ 1,919,023.09
Placer County Investment Pool	\$ 6,914,204.26
Self-Managed Short Term Investments	\$ 757,275.00
Local Agency Investment Fund (LAIF)	\$ 43,247.99



In order to efficiently maximize yields, the City Finance Director and Treasurer continually analyze cash flow needs to determine when additional transfers can be made into the Placer County investment pool, without risking a funding shortfall in the general checking account. However, a recent review of the Investment Policy illuminated that the percent of the total portfolio currently in the Placer County Pool (the pool) is more than the policy allows. The policy allows for up to 25% of the portfolio to be held in the pool. As of December 31, 2017, 72% of the portfolio was in the pool. The Treasurer and the Finance Director are working together to identify a suitable investment alternative. 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 December 31, 2017 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.

**City of Auburn
Treasurer's Report
December 31, 2017**

	Yield %	Par Value	Cost	Sept 30, 2017 Market Value	Current Market Value	Maturity Date	Change
CASH & DEMAND DEPOSITS:							
Wells Fargo - Commercial Checking				\$ 1,552,888.21	\$ 1,364,011.68	na	\$ (188,876.53)
Wells Fargo - Payroll Checking				\$ 172,106.24	\$ 28,297.63	na	\$ (143,808.61)
Wells Fargo - CDBG				\$ 379,275.43	\$ 381,430.39	na	\$ 2,154.96
Hilltop Securities - Money Market	0.05%			\$ 14,668.94	\$ 14,673.75	na	\$ 4.81
Bank of America - Recology				\$ 98,369.94	\$ 130,609.64	na	\$ 32,239.70
TOTAL CASH & DEMAND DEPOSITS				\$ 2,217,308.76	\$ 1,919,023.09		\$ (298,285.67)
POOLED INVESTMENTS							
Local Agency Investment Fund (LAIF)	0.978%			\$ 43,131.25	\$ 43,247.99	na	\$ 116.74
Placer County Investment Pool	1.432%			\$ 4,390,721.54	\$ 6,914,204.26	na	\$ 2,523,482.72
TOTAL POOLED INVESTMENTS				\$ 4,433,852.79	\$ 6,957,452.25		\$ 2,523,599.46
SELF MANAGED SHORT-TERM INVESTMENTS							
<i>Federal Agency Bonds/Notes:</i>							
Federal Home Loan Banks	1.10%	500,000.00	500,000.00	499,570.00	499,900.00	2/20/2018	\$ 330.00
<i>Corporate Bonds:</i>							
Mnlehman Brothers HLRR ¹	0.000%	125,000.00	69,053.95	7,500.00	7,375.00	2012 ¹	\$ (125.00)
<i>Certificate of Deposit:</i>							
Community Bank	0.30%	250,000.00	250,000.00	250,000.00	250,000.00	10/16/2017	\$ -
TOTAL SHORT TERM and POOLED INVESTMENTS		\$ 875,000.00	\$ 819,053.95	\$ 757,070.00	\$ 757,275.00		\$ 205.00
TOTAL CASH & INVESTMENTS				\$ 7,408,231.55	\$ 9,633,750.34		\$ 2,225,518.79

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, 12 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 \$69,053.95.