



## *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 11, 2019  
**Subject:** Report of Investments – Six Months Ending December 31, 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 Investment Report*" for the six months ending December 31, 2018.

### **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 Treasurer's Report is required to be prepared and presented on a quarterly basis. The County of Placer is undergoing a computer system conversion and were not able to produce a statement of account for the City's investment pool balance as of September 30, 2018. The Treasurer delayed the report in hopes of receiving the statement. The September statement has now been received, but the December report has yet to be produced. Instead of delaying this quarterly investment report any longer, it is prepared using the ***September 30, 2018 balance for the Placer County Investment Pool, and the December balances for all other accounts***. The scope of this report covers the first six months of fiscal year 2018-2019, ending December 31, 2018, since a report for the first quarter (ending September 30, 2018 was not presented).

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:

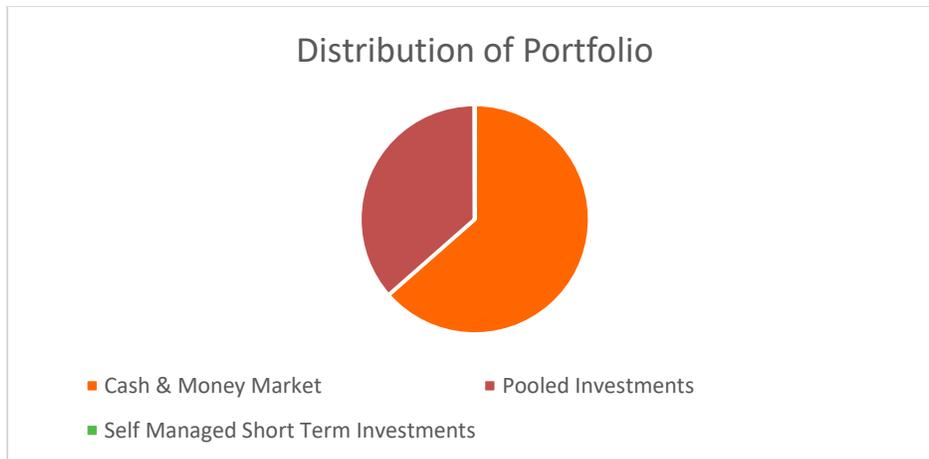
1. Safety
2. Liquidity
3. Yield

Attached is the Treasurer’s Report for the six months ended December 31, 2018.

At June 30, 2018, the end of the previous reporting period, the value of the City’s total portfolio was \$16.9 million. Since that time, the value of the City’s portfolio decreased by \$5.3 million for an ending balance of approximately \$11.6 million as of December 31, 2018. The decrease is the result of operating in the “dry cash period”. Property taxes and Sewer Assessments are large sources of revenue for the city, yet they are only receiving in January (55%), May (40%) and August (5%) each year. Cash balances typically fall from May through December and increase significantly in January upon receipt of the taxes and assessments.

The funds are currently held as follows:

Cash at Banking Institutions	\$ 7,396,827.81
Placer County Investment Pool (as of September 30, 2018)	\$ 4,201,200.26
Local Agency Investment Fund (LAIF)	\$ 43,984.98
Self-Managed Short Term Investments	\$ 2,537.50



The City Finance Director and Treasurer periodically analyze cash flow needs to determine when additional transfers can be made into the Placer County investment pool, or LAIF without risking a funding shortfall in the general checking account.

Significant movements of cash and investments have occurred since the last Treasurer’s report as follows:

- As of June 30, 2018, 41% of the portfolio was in the Placer County Investment Pool, which is more than the 25% allowed by the investment policy. In accordance with direction from the City Council, staff moved \$2.8 million from the pool into the general checking account on August 16, 2018 to return the portfolio into conformance with the policy.

- The Federal Agency Bond matured in February 2018, resulting in cash sitting at Union Bank. Subsequent to the last Treasurer’s report these funds were moved in to the general checking account.
- Now that the city has moved through its dry cash period the Finance Director and Treasurer moved \$4.5 million out of the general bank account, into LAIF to increase yields on idle cash. LAIF was earning 2.4% in December 2018. The transfer was done on February 21<sup>st</sup> and will be reflected in the next report.

**Fiscal Impact**

None. All investments held at December 31, 2018 were in conformance with the Investment Policy.

**City of Auburn  
Treasurer's Report  
Six Months Ended December 31, 2018**

	Yield %	Par Value	Cost	June 30, 2018 Market Value	Current Market Value	Maturity Date	Change
<b>CASH &amp; DEMAND DEPOSITS:</b>							
Wells Fargo - Commercial Checking				\$ 8,833,941.17	\$ 6,880,237.08	na	\$ (1,953,704.09)
Union Bank - Principal Cash				\$ 505,167.86	\$ 982.27	na	\$ (504,185.59)
Bank of America - Recology				\$ 121,039.67	\$ 108,907.95	na	\$ (12,131.72)
Wells Fargo - Payroll Checking				\$ 30,399.67	\$ 10,416.83	na	\$ (19,982.84)
Wells Fargo - CDBG				\$ 381,487.14	\$ 381,544.84	na	\$ 57.70
Hilltop Securities - Money Market	0.05%			\$ 14,695.00	\$ 14,738.84	na	\$ 43.84
<b>TOTAL CASH &amp; DEMAND DEPOSITS</b>				<b>\$ 9,886,730.51</b>	<b>\$ 7,396,827.81</b>		<b>\$ (2,489,902.70)</b>
<b>POOLED INVESTMENTS</b>							
Local Agency Investment Fund (LAI)	0.978%			\$ 43,540.69	\$ 43,984.98	na	\$ 444.29
Placer County Investment Pool <sup>1</sup>	1.432%			\$ 6,975,333.04	\$ 4,201,200.28	na	\$ (2,774,132.76)
<b>TOTAL POOLED INVESTMENTS</b>				<b>\$ 7,018,873.73</b>	<b>\$ 4,245,185.26</b>		<b>\$ (2,773,688.47)</b>
<b>SELF MANAGED SHORT-TERM INVESTMENTS</b>							
<i>Corporate Bonds:</i>							
Mnlehman Brothers HLRR2	0.000%	125,000.00	67,143.22	3,875.00	2,537.50	2012 <sup>2</sup>	\$ (1,337.50)
<b>TOTAL SHORT TERM and POOLED INVESTMENTS</b>		<b>\$125,000.00</b>	<b>\$ 67,143.22</b>	<b>\$ 3,875.00</b>	<b>\$ 2,537.50</b>		<b>\$ (1,337.50)</b>
<b>TOTAL CASH &amp; INVESTMENTS</b>				<b>\$ 16,909,479.24</b>	<b>\$11,644,550.57</b>		<b>\$ (5,264,928.67)</b>

Restricted Bond Funds Excluded from report

<sup>1</sup> Placer County is in the midst of a computer system conversion. This represents the balance as of September 30, 2018 as they are not yet able to produce a statement for December 31, 2018.

<sup>2</sup> 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 \$67,143.22