

CITY OF ENCINITAS
INVESTMENT REPORT
MEMORANDUM
Three Months ended September 30, 2015

TO: City Council

VIA: Karen P. Brust, City Manager

FROM: Tim Nash, Finance Director/City Treasurer

DATE: December 14, 2015

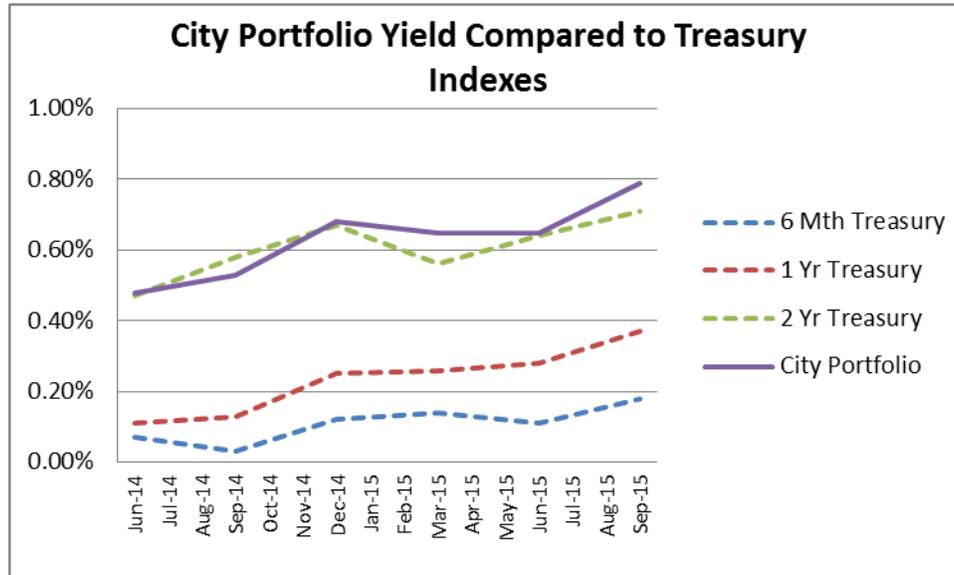
SUBJECT: City of Encinitas Investment Report for the three (3) months ended September 30, 2015

It is the practice of the Finance Department to report on the status of City investments to the City Council on a periodic basis. Currently, the process is to report investment positions and results quarterly via memorandum, with attachments showing positions and earnings by investment and in summary. This report covers only the City's Pooled Investment fund (the "Pool".) It does not cover monies invested by the City's bond trustee, which are reported on an annual basis.

The Pool had an investable balance of \$91.0 million at September 30, 2015, compared to an average investable balance for the period of \$96.3 million. The City utilizes a variety of investment vehicles, including direct investments and indirect investments. Direct investments are primarily fixed income securities issued by the US Treasury and several US Gov't Agencies, such as the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). Indirect investments include money market funds and pooled investments funds managed by other agencies, such as the California LAIF fund. Indirect investment balances are generally available to the City on a next day basis, and are classified as "liquid" meaning available to pay current demands. Monies invested in direct securities can only be accessed via the maturity of a security, or selling the security prior to maturity. The final maturities on our direct securities vary from about three months to four and one-half years. The City has total liquidity, including cash in the bank, of \$13.4 million at September 30, 2015.

FY 2015-16	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Book Value				\$ 91,038,563
Market Value				\$ 91,305,660
Unrealized Gain/Loss				\$ 267,097
Unrealized Gain/Loss as % of Book Value				0.2934%
Effective Rate of Return				0.79%
Average Yield To Maturity				0.828%
Average Maturity (Years)				1.63
Investment Earnings Year to Date				\$ 191,632

The Pool earned \$191,632 during the first three months of FY 2015-16 for an annualized return of 0.79%. This compares to the City's adopted performance benchmark of the one (1) year constant maturity Treasury index at 0.37%. The City informally utilizes an alternative benchmark of the two-year US Treasury note yield for comparison. This is a more appropriate comparison when the weighted-average maturity (WAM) of the Pool is greater than one year (the current WAM is 595 days or 1.63 years.) The 2 yr. T-note averaged about 0.0071% during the period.



The market value of the City's direct investments exceeds their carrying value by \$267,096 as of September 30, 2015, meaning that we have unrealized gains on securities held. Should interest rates begin to rise, as most experts expect, then the market value of securities held would decline, and would likely begin to show unrealized losses. Since the City has never had to sell a security prior to maturity, any unrealized gains or losses would only constitute a timing difference.

The public's monies are extremely safe and well-diversified, and are in line with the City's adopted investment strategy and the overall direction of the City Council.

ATTACHMENTS – Portfolio Management and Interest Earnings Reports