

TO: City Council
FROM: Mike Compton, City Treasurer
SUBJECT: Annual Review of Investment Policy
DATE: February 19, 2013

Needs: For the City Council to undertake its' annual review of the City's Investment Policy.

Facts:

1. The City Council has adopted an investment policy to guide the investment of idle City funds.
2. Many years ago, the Investment Policy was modified in accordance with Government Code Section 53646 that requires that the City Treasurer annually render to the legislative body of the local agency a statement of investment policy at a public meeting.
3. While this government code provision requiring the the annual review has been rescinded, the City's Investment Policy has continues to require an annual review.
4. The Investment Policy also provided for an Investment Policy Review Committee made up of the mayor, mayor pro tem, a representative of the City's banking institution, a representative of the City's safekeeping/custodial institution, a local financial planner/investment advisor and a representative of a bank with a branch location in the City.
5. It is recommended that the City Council consider elimination of the Investment Policy Review Committee.
6. There are two additional changes being recommended for City Council consideration.

Analysis
and
Conclusion:

Elimination of the Investment Policy Review Committee is being recommended as it has metamorphised into more of a social event rather than providing any real meaningful review of the City's Investment Policy. Additionally, it has become increasingly difficult to coordinate calendars. Since the Investment Policy is ultimately presented for consideration to the City Council, it would seem just as effective to present the Investment Policy directly to City Council for their consideration. Two members of the City Council sit on the Review Committee.

In addition to the elimination of the Policy Review Committee, there are two additional changes being recommended; 1) that the restriction that only \$1 million may

be invested in an single corporate bond be increased to \$2 million; and 2) that Piper Jaffery, Inc. be eliminated from Exhibit B: Incapacity Plan.

The \$1 million limit was established when the City's investment policy was considerably smaller, less than \$20 million. Now that the portfolio is at over \$64 million and has been as high as \$70 million, purchasing securities in higher quantities is highly desirable. Also, quality corporate bonds are harder to locate. Thus, when found, it would be desirable to purchase a larger quantity. Lastly, purchasing a slightly larger quantity provides a higher degree of diversification.

While I use Piper Jaffery, Inc. regularly to purchase bonds, it has been determined that they really don't provide the portfolio management services that may be desired should some long-term or permanent disability would prevent me from managing the City's investment portfolio. Any of the three remaining firms would adequately satisfy the needs of the City should such an event occur.

Fiscal
Impact:

None.

Options:

- a. That the City Council approve the recommended changes to the Investment Policy as noted above in the staff report; or
- b. Amend, modify, or reject the above option.



Memorandum

To: City Council

Cc: Jim App, City Manager
Executive Managers

From: Mike Compton, City Treasurer

Subject: Monthly Treasurer’s Report – December, 2012

Date: January 16, 2013

This report presents the City’s investment portfolio as of December 31, 2012. It includes all investments managed by the City except funds held by City’s trustee. Funds held by trustee include bond reserve funds, deferred compensation plans and other post retirement benefit funds. The investment portfolio is in compliance with all State laws.

Summary data is provided as follows:

For Period Ending December 2012				Monthly	Monthly	Monthly	% of
Issuer	Portfolio Par Value	Portfolio Market Value	Portfolio Book Value	Weighted Ave. Coupon	Weighted Ave. Yield	Weighted Ave. Maturity (Yrs)	Portfolio (Par Value)
Certificates of Deposit	\$ 2,094,000	\$ 2,094,000	\$ 2,094,000	1.009	0.998	0.80	0.033
Local Agency Investment Fund	15,950,000	15,950,000	15,950,000	0.363	0.363	0.00	0.248
CalTrust Money Market	3,000,000	3,000,000	3,000,000	0.300	0.300	0.00	0.047
Corporate Notes	2,000,000	1,962,300	2,000,000	1.550	1.529	3.16	0.031
Federal Agency Coupon Securities	41,000,000	41,074,440	40,994,491	1.208	1.351	4.06	0.638
Federal Agency Pass Through Securities	<u>258,768</u>	<u>262,640</u>	<u>270,639</u>	<u>4.459</u>	<u>1.711</u>	<u>0.94</u>	<u>0.004</u>
	<u>\$ 64,302,768</u>	<u>\$ 64,343,380</u>	<u>\$ 64,309,131</u>	0.912	1.038	2.72	1.000

I hereby certify that the City’s investment portfolio provides sufficient liquidity to meet the City’s cash flow requirements for the next six months.

Michael J. Compton, City Treasurer



City of Paso Robles
1000 Spring St.
Paso Robles, CA
(805)237-3999

Paso Robles Portfolio Management Portfolio Summary December 31, 2012

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Certificates of Deposit - Bank	2,094,000.00	2,094,000.00	2,094,000.00	3.25	636	292	0.998	1.011
Managed Pool Accounts	3,000,000.00	3,000,000.00	3,000,000.00	4.66	1	1	0.296	0.300
Local Agency Investment Funds	15,950,000.00	15,950,000.00	15,950,000.00	24.79	1	1	0.322	0.326
Passbook/Checking Accounts	25,000.00	25,000.00	25,000.00	0.04	1	1	0.000	0.000
Medium Term Notes	2,000,000.00	1,962,300.00	2,000,000.00	3.11	1,461	1,133	1.529	1.550
Federal Agency Coupon Securities	41,000,000.00	41,074,440.00	40,994,491.49	63.72	1,775	1,484	1.351	1.369
Pass Through Securities (GNMA/CMO)	258,767.50	262,639.98	270,639.07	0.42	1,155	334	1.712	1.735
Investments	64,327,767.50	64,368,379.98	64,334,130.56	100.00%	1,202	992	1.041	1.056
Cash								
Passbook/Checking (not included in yield calculations)	172,979.85	172,979.85	172,979.85		1	1	0.000	0.000
Total Cash and Investments	64,500,747.35	64,541,359.83	64,507,110.41		1,202	992	1.041	1.056

Total Earnings	December 31	Month Ending	Fiscal Year To Date
Current Year	57,165.41		366,742.12
Average Daily Balance	61,056,391.68		
Effective Rate of Return	1.10%		

Mike Compton, Treasurer

Reporting period 12/01/2012-12/31/2012

Portfolio PASO
AC
PM (PRF_PMI) 7.2.5
Report Ver. 7.3.1

**Paso Robles
Portfolio Management
Portfolio Details - Investments
December 31, 2012**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Certificates of Deposit - Bank												
SYS10795	10795	Asian Pacific National Bank		07/27/2012	249,000.00	249,000.00	249,000.00	0.600	0.600	0.608	206	07/26/2013
SYS10777	10777	Broadway Federal Bank		01/17/2012	250,000.00	250,000.00	250,000.00	1.250	1.233	1.250	381	01/17/2014
SYS10781	10781	Comerica Bank		03/19/2012	249,000.00	249,000.00	249,000.00	0.900	0.888	0.900	442	03/19/2014
SYS10809	10809	Coronado Bank		12/28/2012	99,000.00	99,000.00	99,000.00	0.450	0.450	0.456	543	06/28/2014
SYS10775	10775	Evergreen International Bank		02/08/2012	249,000.00	249,000.00	249,000.00	0.900	0.888	0.900	403	02/08/2014
SYS10807	10807	First Choice Bank		12/20/2012	250,000.00	250,000.00	250,000.00	1.000	1.000	1.014	356	12/23/2013
SYS10715	10715	Metropolitan Bank		03/01/2011	249,000.00	249,000.00	249,000.00	1.390	1.371	1.390	59	03/01/2013
SYS10745	10745	Mission National Bank		01/15/2011	249,000.00	249,000.00	249,000.00	1.400	1.381	1.400	14	01/15/2013
SYS10778	10778	Bank of Whittier		01/11/2012	250,000.00	250,000.00	250,000.00	0.850	0.838	0.850	378	01/14/2014
		Subtotal and Average	2,262,677.42		2,094,000.00	2,094,000.00	2,094,000.00	0.998	1.011	1.011	292	
Managed Pool Accounts												
SYS10738	10738	Cal Trust Money Market			3,000,000.00	3,000,000.00	3,000,000.00	0.300	0.296	0.300	1	
SYS10695	10695	RABO BANK MONEY MARKET			0.00	0.00	0.00	0.440	0.434	0.440	1	
		Subtotal and Average	3,193,548.39		3,000,000.00	3,000,000.00	3,000,000.00	0.296	0.300	0.300	1	
Local Agency Investment Funds												
9840271	10278	Local Agency Investment Fund			15,950,000.00	15,950,000.00	15,950,000.00	0.326	0.322	0.326	1	
9840271	10282	Local Agency Investment Fund			0.00	0.00	0.00	0.385	0.380	0.385	1	
		Subtotal and Average	12,240,322.58		15,950,000.00	15,950,000.00	15,950,000.00	0.322	0.326	0.326	1	
Passbook/Checking Accounts												
SYS10728	10728	Heritage Oaks Bank			25,000.00	25,000.00	25,000.00	0.000	0.000	0.000	1	
		Subtotal and Average	-450,425.24		25,000.00	25,000.00	25,000.00	0.000	0.000	0.000	1	
Medium Term Notes												
36962G5T7	10768	General Electric Capital Corp		02/08/2012	2,000,000.00	1,962,300.00	2,000,000.00	1.550	1.529	1.550	1,133	02/08/2016
		Subtotal and Average	2,000,000.00		2,000,000.00	1,962,300.00	2,000,000.00	1.529	1.550	1.550	1,133	
Federal Agency Coupon Securities												
313373DW9	10723	Federal Home Loan Bank		04/15/2011	1,000,000.00	1,005,270.00	999,828.33	2.185	2.163	2.193	834	04/15/2015
313376W92	10765	Federal Home Loan Bank		02/17/2012	1,000,000.00	1,000,920.00	1,000,000.00	1.300	1.282	1.300	1,416	11/17/2016
313381LC7	10803	Federal Home Loan Bank		12/28/2012	2,000,000.00	1,997,140.00	2,000,000.00	0.950	0.937	0.950	1,822	12/28/2017
3134G13P7	10714	Federal Home Loan Mitg Corp		02/17/2011	1,000,000.00	995,750.00	1,000,000.00	2.010	1.982	2.010	777	02/17/2015
3134G3BR0	10756	Federal Home Loan Mitg Corp		12/14/2011	2,000,000.00	2,010,540.00	2,000,000.00	1.500	1.479	1.500	1,443	12/14/2016
3134G3LP3	10764	Federal Home Loan Mitg Corp		02/21/2012	1,000,000.00	1,011,590.00	1,000,000.00	1.300	1.282	1.300	1,512	02/21/2017
		Portfolio PASO										
		AC										
		PM (PRF_PM2) 7.2.5										

**Paso Robles
Portfolio Management
Portfolio Details - Investments
December 31, 2012**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3134G3LG3	10767	Federal Home Loan Mitg Corp		02/14/2012	2,000,000.00	2,022,540.00	2,000,859.26	1.250	1.243	1.260	1,505	02/14/2017
3134G3UZ1	10785	Federal Home Loan Mitg Corp		05/24/2012	2,000,000.00	2,006,460.00	1,999,120.56	1.200	1.194	1.210	1,604	05/24/2017
3134G3Y38	10800	Federal Home Loan Mitg Corp		11/27/2012	2,000,000.00	1,992,560.00	2,000,000.00	0.900	0.888	0.900	1,791	11/27/2017
3134G3ZV5	10805	Federal Home Loan Mitg Corp		12/28/2012	2,000,000.00	1,999,480.00	2,000,000.00	0.900	0.888	0.900	1,822	12/28/2017
3136F82A2	10468	Federal National Mitg Assn		02/12/2008	2,000,000.00	2,008,620.00	2,000,000.00	4.000	3.945	4.000	42	02/12/2013
31398ANT5	10505	Federal National Mitg Assn		02/25/2008	1,000,000.00	1,006,080.00	1,000,000.00	4.250	4.192	4.250	55	02/25/2013
3136FTH36	10766	Federal National Mitg Assn		02/14/2012	1,000,000.00	1,008,470.00	1,000,000.00	1.000	1.396	1.415	1,505	02/14/2017
3136FTH44	10769	Federal National Mitg Assn		02/08/2012	1,000,000.00	1,000,830.00	1,000,000.00	1.000	1.325	1.343	1,499	02/08/2017
3136G0DQ1	10783	Federal National Mitg Assn		04/26/2012	2,000,000.00	2,004,860.00	2,000,166.67	1.000	0.986	1.000	1,302	07/26/2016
3136G0HC8	10784	Federal National Mitg Assn		05/24/2012	2,000,000.00	2,005,180.00	2,000,000.00	0.750	1.275	1.292	1,604	05/24/2017
3136G0RX1	10786	Federal National Mitg Assn		07/26/2012	2,000,000.00	2,005,200.00	1,994,516.67	1.000	1.047	1.062	1,667	07/26/2017
3136G0RT0	10787	Federal National Mitg Assn		07/26/2012	2,000,000.00	2,007,260.00	2,000,000.00	1.150	1.134	1.150	1,667	07/26/2017
3136G0R52	10796	Federal National Mitg Assn		10/24/2012	2,000,000.00	2,000,380.00	2,000,000.00	0.500	1.053	1.067	1,757	10/24/2017
3136G0R78	10797	Federal National Mitg Assn		10/25/2012	2,000,000.00	1,998,560.00	2,000,000.00	0.625	0.616	0.625	1,393	10/25/2016
3136G0R52	10798	Federal National Mitg Assn		10/24/2012	2,000,000.00	2,000,380.00	2,000,000.00	0.500	1.053	1.067	1,757	10/24/2017
3136G16W4	10801	Federal National Mitg Assn		12/27/2012	1,000,000.00	996,920.00	1,000,000.00	0.650	1.023	1.037	1,821	12/27/2017
3136G16W4	10802	Federal National Mitg Assn		12/27/2012	2,000,000.00	1,993,840.00	2,000,000.00	0.650	1.023	1.037	1,821	12/27/2017
3136G16Z7	10804	Federal National Mitg Assn		12/27/2012	1,000,000.00	997,830.00	1,000,000.00	0.600	1.008	1.022	1,821	12/27/2017
3136G12F5	10806	Federal National Mitg Assn		12/18/2012	2,000,000.00	1,997,780.00	2,000,000.00	0.750	1.097	1.112	1,812	12/18/2017
		Subtotal and Average	41,058,942.48		41,000,000.00	41,074,440.00	40,994,491.49		1.351	1.369	1,484	
Pass Through Securities (GNMA/CMO)												
3133XAWIE3	10709	Federal Home Loan Bank		01/11/2011	146,595.38	147,369.40	155,162.05	4.800	1.209	1.226	55	02/25/2013
3128H7PN6	10433	Federal Home Loan Mitg Corp		11/29/2007	22,516.43	23,591.36	22,263.12	4.000	4.575	4.639	243	09/01/2013
312971FE9	10696	Federal Home Loan Mitg Corp		12/23/2010	89,655.69	91,679.22	93,213.90	4.000	1.864	1.890	820	04/01/2015
		Subtotal and Average	751,326.05		258,767.50	262,639.98	270,639.07		1.712	1.735	334	
		Total and Average	61,056,391.68		64,327,767.50	64,368,379.98	64,334,130.56		1.041	1.056	992	

**Paso Robles
Portfolio Management
Portfolio Details - Cash
December 31, 2012**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	
Passbook/Checking Accounts												
999	10281	City of Paso Robles			4,100.00	4,100.00	4,100.00		0.000	0.000	1	
001023004	10280	Heritage Oaks Bank		07/01/2012	168,879.85	168,879.85	168,879.85		0.000	0.000	1	
		Average Balance	0.00								1	
Total Cash and Investments			61,056,391.68		64,500,747.35	64,541,359.83	64,507,110.41		1.041	1.056	992	



City of Paso Robles
 1000 Spring St.
 Paso Robles, CA
 (805)237-3999

**Paso Robles
 Aging Report
 By Maturity Date
 As of December 31, 2012**

Aging Interval:	0 days	(12/31/2012 - 12/31/2012)	7 Maturities	0 Payments	16,777,961.26	27.00%	16,777,961.26	16,777,961.26	16,777,961.26
Aging Interval:	1 - 1 days	(01/01/2013 - 01/01/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	0.00
Aging Interval:	2 - 7 days	(01/02/2013 - 01/07/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	0.00
Aging Interval:	8 - 14 days	(01/08/2013 - 01/14/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	0.00
Aging Interval:	15 - 21 days	(01/15/2013 - 01/21/2013)	1 Maturities	0 Payments	255,077.34	0.41%	249,000.00	249,000.00	249,000.00
Aging Interval:	22 - 28 days	(01/22/2013 - 01/28/2013)	0 Maturities	0 Payments	73,529.11	0.12%	0.00	0.00	0.00
Aging Interval:	29 - 30 days	(01/29/2013 - 01/30/2013)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	0.00
Aging Interval:	31 - 60 days	(01/31/2013 - 03/01/2013)	4 Maturities	0 Payments	3,328,102.31	5.36%	3,404,162.05	3,470,024.98	3,470,024.98
Aging Interval:	61 - 90 days	(03/02/2013 - 03/31/2013)	0 Maturities	0 Payments	5,994.96	0.01%	0.00	0.00	0.00
Aging Interval:	91 - 180 days	(04/01/2013 - 06/29/2013)	0 Maturities	0 Payments	17,740.73	0.03%	0.00	0.00	0.00
Aging Interval:	181 - 365 days	(06/30/2013 - 12/31/2013)	3 Maturities	0 Payments	526,205.89	0.85%	521,263.12	522,678.95	522,678.95
Aging Interval:	366 - 730 days	(01/01/2014 - 12/31/2014)	5 Maturities	0 Payments	1,134,343.16	1.83%	1,097,000.00	1,097,000.00	1,097,000.00
Aging Interval:	731 days and after	(01/01/2015 -)	25 Maturities	0 Payments	40,011,774.01	64.40%	40,087,705.39	40,145,785.68	40,145,785.68
Total for			45 Investments	0 Payments	62,137,091.82	100.00	62,137,091.82	62,262,450.87	62,262,450.87

* Note: Pass thru security principal paydowns are included in the par value total, but not in the investment count.



City of Paso Robles
 1000 Spring St.
 Paso Robles, C
 (805)237-3999

**Paso Robles
 Maturing Investments
 Sorted by Fund
 December 31, 2012 - December 31, 9999**

Maturity Date	CUSIP	Investment #	Fund	Security Type	Issuer	Dealer	Dealer's Phone Number	Maturity Par Value	Stated Rate	Comments
01/15/2013	SYS10745	10745	100	BCD	Mission National Bank			249,000.00	1.400	
								249,000.00		
								249,000.00		
January 2013 Subtotal										
02/12/2013	3136F82A2	10468	100	FAC	Federal National Mtg Assn	GS		2,000,000.00	4.000	
02/25/2013	31398ANT5	10505	100	FAC	Federal National Mtg Assn	GS		1,000,000.00	4.250	
02/25/2013	3133XAWWE3	10709	100	GN1	Federal Home Loan Bank	CS		146,595.38	4.800	
								3,146,595.38		
February 2013 Subtotal										
03/01/2013	SYS10715	10715	100	BCD	Metropolitan Bank			249,000.00	1.390	
								249,000.00		
March 2013 Subtotal										
07/26/2013	SYS10795	10795	100	BCD	Asian Pacific National Bank			249,000.00	0.600	
								249,000.00		
July 2013 Subtotal										
09/01/2013	3128H7PN6	10433	100	GN1	Federal Home Loan Mtg Corp	CS		22,516.43	4.000	
								22,516.43		
September 2013 Subtotal										
12/23/2013	SYS10807	10807	100	BCD	First Choice Bank			250,000.00	1.000	
								250,000.00		
December 2013 Subtotal										
01/14/2014	SYS10778	10778	100	BCD	Bank of Whittier			250,000.00	0.850	
01/17/2014	SYS10777	10777	100	BCD	Broadway Federal Bank			250,000.00	1.250	
								500,000.00		
January 2014 Subtotal										
02/08/2014	SYS10775	10775	100	BCD	Evergreen International Bank			249,000.00	0.900	
								249,000.00		
February 2014 Subtotal										
03/19/2014	SYS10781	10781	100	BCD	Comerica Bank			249,000.00	0.900	
								249,000.00		
March 2014 Subtotal										
06/28/2014	SYS10809	10809	100	BCD	Coronado Bank			99,000.00	0.450	
								99,000.00		
June 2014 Subtotal										
02/17/2015	3134G13P7	10714	100	FAC	Federal Home Loan Mtg Corp	CANTOR		1,000,000.00	2.010	
								1,000,000.00		
February 2015 Subtotal										

**Paso Robles
Maturing Investments
Sorted by Fund**

Maturity Date	CUSIP	Investment #	Fund	Security Type	Issuer	Dealer	Dealer's Phone Number	Maturity Par Value	Stated Rate	Comments
04/01/2015	312971FE9	10696	100	GN1	Federal Home Loan Mtg Corp	CS		89,655.69	4.000	
04/15/2015	313373DW9	10723	100	FAC	Federal Home Loan Bank	GS		1,000,000.00	2.185	
							April 2015 Subtotal	1,089,655.69		
02/08/2016	36962G5T7	10768	100	MTN	General Electric Capital Corp	MS		2,000,000.00	1.550	
							February 2016 Subtotal	2,000,000.00		
07/26/2016	3136G0DQ1	10783	100	FAC	Federal National Mtg Assn	GS		2,000,000.00	1.000	
							July 2016 Subtotal	2,000,000.00		
10/25/2016	3136G0R78	10797	100	FAC	Federal National Mtg Assn	GS		2,000,000.00	0.625	
							October 2016 Subtotal	2,000,000.00		
11/17/2016	313376W92	10765	100	FAC	Federal Home Loan Bank	GS		1,000,000.00	1.300	
							November 2016 Subtotal	1,000,000.00		
12/14/2016	3134G3BR0	10756	100	FAC	Federal Home Loan Mtg Corp	MS		2,000,000.00	1.500	
							December 2016 Subtotal	2,000,000.00		
02/08/2017	3136FTH44	10769	100	FAC	Federal National Mtg Assn	MS		1,000,000.00	2.250	
02/14/2017	3134G3LG3	10767	100	FAC	Federal Home Loan Mtg Corp	GS		2,000,000.00	1.250	
02/14/2017	3136FTH36	10766	100	FAC	Federal National Mtg Assn	MS		1,000,000.00	3.000	
02/21/2017	3134G3LP3	10764	100	FAC	Federal Home Loan Mtg Corp	PJ		1,000,000.00	1.300	
							February 2017 Subtotal	5,000,000.00		
05/24/2017	3134G3UZ1	10785	100	FAC	Federal Home Loan Mtg Corp	GS		2,000,000.00	1.200	
05/24/2017	3136G0HC8	10784	100	FAC	Federal National Mtg Assn	PJ		2,000,000.00	2.000	
							May 2017 Subtotal	4,000,000.00		
07/26/2017	3136G0RX1	10786	100	FAC	Federal National Mtg Assn	GS		2,000,000.00	1.000	
07/26/2017	3136G0RT0	10787	100	FAC	Federal National Mtg Assn	GS		2,000,000.00	1.150	
							July 2017 Subtotal	4,000,000.00		
10/24/2017	3136G0R52	10796	100	FAC	Federal National Mtg Assn	GS		2,000,000.00	2.000	
10/24/2017	3136G0R52	10798	100	FAC	Federal National Mtg Assn	PJ		2,000,000.00	2.000	
							October 2017 Subtotal	4,000,000.00		
11/27/2017	3134G3Y38	10800	100	FAC	Federal Home Loan Mtg Corp	GS		2,000,000.00	0.900	
							November 2017 Subtotal	2,000,000.00		

**Paso Robles
Maturing Investments
Sorted by Fund**

Maturity Date	CUSIP	Investment #	Fund	Security Type	Issuer	Dealer	Dealer's Phone Number	Maturity Par Value	Stated Rate	Comments
12/18/2017	3136G12F5	10806	100	FAC	Federal National Mtg Assn	MS		2,000,000.00	3.000	
12/27/2017	3136G16W4	10801	100	FAC	Federal National Mtg Assn	PJ		1,000,000.00	3.000	
12/27/2017	3136G16W4	10802	100	FAC	Federal National Mtg Assn	PJ		2,000,000.00	3.000	
12/27/2017	3136G16Z7	10804	100	FAC	Federal National Mtg Assn	MS		1,000,000.00	3.000	
12/28/2017	313381LC7	10803	100	FAC	Federal Home Loan Bank	GS		2,000,000.00	0.950	
12/28/2017	3134G32Y5	10805	100	FAC	Federal Home Loan Mtg Corp	GS		2,000,000.00	0.900	
December 2017 Subtotal								10,000,000.00		
01/11/2018	3134G33B4	10808	100	FAC	Federal Home Loan Mtg Corp	CANTOR		2,000,000.00	1.000	
01/11/2018	3134G33B4	10812	100	FAC	Federal Home Loan Mtg Corp	GS		1,000,000.00	1.000	
01/30/2018	313381RE7	10810	100	FAC	Federal Home Loan Bank	GS		2,000,000.00	1.000	
01/30/2018	3136G1A18	10811	100	FAC	Federal National Mtg Assn	PJ		2,000,000.00	3.000	
January 2018 Subtotal								7,000,000.00		
02/01/2018	313381UD5	10813	100	FAC	Federal Home Loan Bank	PJ		1,000,000.00	1.100	
02/01/2018	313381UD5	10814	100	FAC	Federal Home Loan Bank	PJ		1,000,000.00	1.100	
February 2018 Subtotal								2,000,000.00		
Total								54,352,767.50		

CITY OF EL PASO DE ROBLES INVESTMENT POLICY

I. PURPOSE

The City has a fiduciary responsibility to maximize the productive use of its assets entrusted to its care and to manage those public funds wisely and prudently.

The purpose of this policy is to provide broad guidelines and direction to the officer(s) of the City charged with the responsibility for the investment of the City's temporary idle funds under the prudent man rule (Civil Code Section 2261, et seq).

II. OBJECTIVE

The Objective of the City's investment program shall be to maintain a level of investment of all temporary idle funds as near as 100% as possible with due consideration given to safety, liquidity, cash flow requirements and yield.

III. INVESTMENT GUIDELINES

All City funds not required for immediate expenditure shall be fully invested or deposited to maximize investment returns. To maximize returns, the economy and market conditions should be monitored in order to assess the probable course of interest rates. The City shall utilize those eligible investments instruments as set forth in Government Code Sections 53601 and 53635 while following these guidelines:

1. All investments of the City shall have the City of Paso Robles as the registered owner or shall be kept in the custody of the City or the trust/custodial department of its designated third party, safekeeping institution. If securities are kept by a safekeeping institution, the City shall have access to buy and sell such securities independently of any broker.

While in safekeeping, the City shall have on file from its designated safekeeping institution, an executed contract for said safekeeping services which specifically requires the City's securities to be held separately from all other securities and funds on deposit with the trust/custodial department. The trust/custodial department shall be required to send the City a monthly statement of what is being kept including an estimate of the current market valuation.

2. Investments shall be diversified among institutions, types of instruments, and maturities in order to maximize safety and yield with market conditions; except that no investment shall be purchased with a final stated maturity of more than five (5) years from

the purchase date except as provided for in Section V-5. Long-term maturities shall not represent a significant percentage of the total portfolio and shall be specifically limited as per Section 3 under Allowable Investment Instruments. Security investments currently held by the City that met investment policy restrictions at the time of purchase shall be deemed in compliance.

3. Certificates of deposit in local financial institutions shall be encouraged; provided that the criteria for safety, and liquidity are equal to or greater than that of non-local financial institutions and the interest rate earned is within one quarter of one percent (0.25%) of the rate that may be earned from any other financial institution outside of Paso Robles.

4. Investments shall not knowingly be made in any financial institution that practices or supports directly or indirectly through its actions discrimination on the basis or race, religion, color, creed, natural or ethnic origin, age or sex or physical ability.

5. Investments shall be made only in securities for which market value information is generally available.

6. The City Treasurer shall report monthly to the City Manager and City Council the type of investment, financial institution, date of maturity, amount of investment, and rate of interest for all investments.

7. The City Treasurer shall report monthly, in addition to the information required in Section 6 above, whether or not any funds, investments or programs are managed under contract by outside parties. If such contracts exist, a description of the investments shall be included along with the market values of the funds, investments or programs under contract by said parties.

8. The City Treasurer shall also include in the monthly report a statement as to whether or not the City can meet its cash flow requirements during the next six (6) months.

9. Pursuant to Government Code, Section 53647, the Director of Administrative Services shall allocate interest earned to all appropriate funds. No fund with an ending monthly cash balance of less than \$10,000.00 will receive interest unless required otherwise by law. All interest not otherwise allocated shall remain in the General Fund.

10. Competitive bids/quotations are to be obtained and documented on all investments when practical.

11. A close working relationship should be maintained with well-established brokers/dealers and bankers whose proven technical knowledge and expertise is of assistance in making investment decisions. The City Treasurer shall maintain an approved list of brokers/dealers whose number shall not exceed five (5). List is attached herewith as Exhibit "A".

12. Selling securities prior to maturity is only acceptable when the sale clearly enhances the yield (value). If traded at a loss, the trade must enhance yield on a total return basis.

13. The current value of all investments shall be reported annually according to Governmental Accounting Standards Board, GASB No. 31.

14. Whenever practical, cash should be consolidated and invested on a pooled concept basis. Interest earnings shall be allocated monthly pursuant to paragraph 9 of this section.

15. The City Treasurer shall include notification of all trade transactions whether buy or sell, to the Director of Administrative Services or his/her designated staff person.

16. Investment purchase transactions, excluding State of California Local Agency Investment Fund transactions and the proceeds from bond sales, in any given month shall not exceed, in aggregate, twenty percent (20%) of the City's investment portfolio as reported for the prior month on a "book value" basis.

17. The City Treasurer shall annually submit the Investment Policy to the City Council for review and re-confirmation at a public meeting. Said review shall include the investment portfolio for the most recently completed monthly report.

~~18. The City will review annually its investment portfolio. Said review will be conducted by an ad hoc committee comprised of the two local bank officials (one official being from the City's current banking institution), an official from the City's custodial services institution, a local investment broker and two ad hoc appointees from the City Council. The ad hoc committee will report its findings to the City Council.~~

19. Should an occasion arise that the elected City Treasurer is unable to perform the duties as prescribed by the municipal code relating to the investment of surplus City monies, a "Plan" shall be developed to address the ongoing investment needs of the City. The Plan is attached herewith as Exhibit "B".

IV. Investment Criteria

1. **Safety** - Investment Safety refers to attempts to reduce the potential for loss of principal and/or interest. The first level of loss control is found in state law that restricts the particular type of investment permissible for public agencies. The second level of loss control is reducing risk by investing in instruments that appear to be the most credit worthy. The third level of loss control is by investing in instruments that have maturities coinciding with cash needs thereby eliminating loss from forced sale. Safety is the primary duty and responsibility of the City Treasurer.

2. **Liquidity** - Liquidity refers to the ability to sell or otherwise make immediately accessible without risk of losing some portion of principal or interest on the investment. Most investment instruments available to public agencies are highly liquid with the exception of Time Certificates issued by banks and savings and loan institutions that have fixed maturities.

3. **Yield** - Yield is the potential dollar earnings an investment can provide, sometimes described as the rate of return. Attempts should be made to obtain the highest yield possible by the City provided the criteria for safety and liquidity are met.

V. Allowable Investment Instruments

1. Time Certificates of Deposit - TCD's shall be made only with banks and savings and loan institutions that are insured by the FDIC. Waiver of collateralization is permissible only on the first \$250,000. For collateralized TCDs, banks shall be required to certify semi-annually that the TCDs are fully collateralized in accordance with State law. The bank or savings and loan institution must be located in California. Purchases of negotiable certificates of deposit shall not exceed 30% of the City's invested funds. The City Treasurer may require additional selection criteria as deemed appropriate.

2. Local Agency Investment Fund (LAIF) - Managed by the Treasurer of the State of California Treasurer's Office, investments are permitted up to the regulatory maximum for each account established by the City and its' relating entities. Transactions shall be in accordance with established criteria as set forth by the State Treasurer's Office.

3. Banker's Acceptances - Banker's Acceptance (BA's) are bills of exchange or time drafts which are drawn on and accepted by a commercial bank and are eligible for purchase by the Federal Reserve System. By its acceptance, the bank becomes primarily liable for the payment of the draft at its maturity. This bank liability makes the banker acceptance a readily marketable investment. The restrictions on use of banker's acceptances are as follows:

- (a) The City will only invest through the 15 largest banks in the United States;
- (b) Purchases of BA's may not exceed 180 days maturity;
- (c) Purchases of BA's may not exceed 40% of the City's surplus fund; and
- (d) Nor more than 30% of the City's surplus funds may be invested in BA's of any one commercial bank.

4. Treasury Bills and Notes - Those items having the full faith and credit of the federal government pledged for the payment of principal and interest and having maximum maturities of five years or less.

5. Federally Sponsored Credit Agency Securities - The City may invest in the debt securities of the following U.S. government sponsored corporate agencies without limit as to the amount invested except that only 15% may be invested in agencies with maturities between five and seven years. Otherwise maturities may not exceed five years.

- (a) Government National Mortgage Association
- (b) Federal National Mortgage Association
- (c) Federal Home Loan Mortgage Association
- (d) Federal Home Loan Bank

6. Repurchase Agreements - Repurchase agreements (Repos) represent agreements to sell idle funds for U.S. government securities that will be repurchased at a future date for a specific price. Investments in repos shall not exceed 90 days. Physical delivery of the securities backing the repos or a safe keeping documentation to a qualified safe keeping institution is required.

7. Commercial Paper - Commercial paper is essentially an unsecured promissory note of a corporation or financial institution with a fixed maturity date. Maturities vary from 1 to 270 days. The restrictions on use of commercial paper are as follows:

- (a) Maturity shall not exceed 180 days.
- (b) Amount invested at any given time shall not exceed 10% of the investment portfolio.
- (c) Only commercial paper from companies with a rating of A1/P1 shall be purchased.

8. Corporate Bonds - Unsecured promissory note of a corporation or financial institution with a fixed maturity date that is much longer than commercial paper (generally measured in years). Restrictions on use of corporate bonds are as follows:

- (a) Maturity shall not exceed 5 years.
- (b) Amount invested at any given time may not exceed 20% of the investment portfolio.
- (c) Only corporate bonds from companies with an A+ rating better shall be purchased.
- (d) Not more than \$1 \$2 million may be purchased from any single corporate entity.

VI. Investment Restrictions

Idle funds of the City may not be invested in the following instruments:

1. Reverse repurchase agreements
2. Financial futures and options
3. Zero coupon bonds
4. Small Business Administration notes
5. Or any other investment instrument specifically restricted by State Code and/or regulation.

Date of Last Review:
Committee 8/4/11

Exhibit "A"

List of Approved Broker/Dealers

Coastal Securities – Jim Patterson
Gilford Securities – Jaime Hopkins
Mutual Securities – Renee Molina
Cantor Fitzgerald – Ben Finkelstein
Piper Jaffray & Co. – Victor Ume-Ukeje

Exhibit “B”

Incapacity Plan

1. All investment documentation shall be kept at the City Treasurer’s Office at City Hall Annex.
2. All investment documentation shall be organized by type and then by investment date.
3. Maturing investments shall be deposited into the City’s account with the Local Agency Investment Fund until the City Treasurer is capable of functioning efficiently (assumes that the City Treasurer’s inability to perform is temporary).
4. Should the City Treasurer’s inability to perform be long-term, the City should consider contracting management of its investment portfolio with a municipal investment management company.
5. A list of potential investment managers is provided as follows:

MBIA Asset Management – Gail Eichhoff
Chandler Asset Management – Kay Chandler
~~Piper Jaffray Inc. – Victor Ume Ukeje~~
Wedbush Morgan Securities – Don Collins