



## STAFF REPORT

**City Council Meeting Date:** 9/24/2019  
**Staff Report Number:** 19-193-CC

**Consent Calendar:** Receive and file the investment portfolio review as of June 30, 2019

### Recommendation

Staff recommends receipt and filing of the City’s investment portfolio review as of June 30, 2019.

### Policy Issues

The City and the Successor Agency funds are invested in full compliance with the City’s investment policy and State law, which emphasize safety, liquidity and yield.

### Background

The City’s investment policy requires a quarterly investment report to the City Council, which includes all financial investments of the City and provides information on the investment type, value and yield for all securities.

### Analysis

#### Investment portfolio as of June 30, 2019

The City’s investment portfolio as of June 30, 2019, totaled \$154,477,139. As shown below in Table 1, the City’s investments by type are measured by the amortized cost as well as the fair value as of June 30, 2019. The Local Agency Investment Fund (LAIF) is considered a safe investment as it provides the liquidity of a money market fund. The majority of the remaining securities are prudent and secure short- and medium-term investments (1-5 years,) bearing a higher interest rate than LAIF, and/or provide investment diversification.

Table 1: Recap of investments held as of June 30, 2019				
Security	Amortized cost basis	Fair value basis	% of portfolio	
LAIF	\$ 64,997,284	\$ 64,997,284	42.1%	
Securities Portfolio				
Corporate Bonds	26,050,006	26,124,347	16.9%	
Government Agencies	48,215,287	48,419,412	31.3%	
Government Bonds	14,900,360	14,936,096	9.7%	
<b>Total</b>	<b>\$ 154,162,937</b>	<b>\$ 154,477,139</b>	<b>100.0%</b>	

As shown in Table 1, the fair value of the City's securities was \$314,202 greater than the amortized cost as of June 30, 2019. The difference between amortized cost and fair value is referred to as an unrealized loss or gain, and is due to market values fluctuating from one period to another. It is important to note that any unrealized loss or gain does not represent an actual cash transaction to the City, as the City generally holds securities to maturity to avoid market risk.

The consolidated portfolio report for the quarter ending June 30, 2019, is included as Attachment A and each component is described in greater detail below.

### *LAIF*

As previously shown in Table 1, 42 percent of the portfolio resides in the City's account at the LAIF, a liquid fund managed by the California State Treasurer, yielding 2.43 percent for the quarter ended June 30, 2019. LAIF yields had been at historic lows for several recent years but the last three years have shown a small but steady trend upward. Due to the liquidity of LAIF and based on uncertainty surrounding rates for longer-term securities, the City has kept a large number of funds in LAIF in recent years. However, the City does invest excess funds in other types of securities in an effort to provide diversification and guarantee rates from longer-duration investments.

### *Securities portfolio*

As of June 30, 2019, the City held a number of securities in corporate bonds, government agency notes and government bonds and reflect a diversified mix in terms of type but all at low risk. Insight Investment serves as the City's financial adviser on security investments and makes recommended trades of securities, purchase and sale that align market conditions to the City Council adopted investment policy to the greatest extent possible. The Insight Investments quarterly statement for the period ended June 30, 2019, is provided in Attachment B. As shown on the quarterly statement, the return for the period ended June 30, 2019, on an amortized cost basis, was 0.54 percent. The positions the City held as of June 30, 2019, are included in Attachment C.

### Performance comparison

As specified in the City's investment policy, the performance of the portfolio is measured against the benchmark of a similar-length treasury bond. In the quarter ending June 30, 2019, the City's portfolio returned a weighted average of 2.25 percent with non-LAIF funds having a weighted average duration of 1.50 years. The trailing 18-month period for a two-year treasury note saw a yield of 1.34 percent, or 0.91 lower than the City's portfolio performance.

### **Impact on City Resources**

Due to the liquidity of LAIF accounts, the City has more than sufficient funds available to meet its expenditure requirements for the next six months.

### **Environmental Review**

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it will not result in any direct or indirect physical change in the environment.

### **Public Notice**

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

**Attachments**

- A. Insight Investments consolidated portfolio report for the quarter ended June 30, 2019
- B. Hyperlink – Insight Investments advised funds quarterly report for the quarter ended June 30, 2019:  
[menlopark.org/DocumentCenter/View/22834/3-Att-B-Quarterly-statement-as-of-6-30-2019](http://menlopark.org/DocumentCenter/View/22834/3-Att-B-Quarterly-statement-as-of-6-30-2019)
- C. Hyperlink – Securities positions held by the City of Menlo Park as of June 30, 2019:  
[menlopark.org/DocumentCenter/View/22835/4-Att-C-Securities-positions-as-of-6-30-2019](http://menlopark.org/DocumentCenter/View/22835/4-Att-C-Securities-positions-as-of-6-30-2019)

Report prepared by:  
Dan Jacobson, Finance and Budget Manager

# City of Menlo Park

## Quarterly Consolidated Portfolio Report

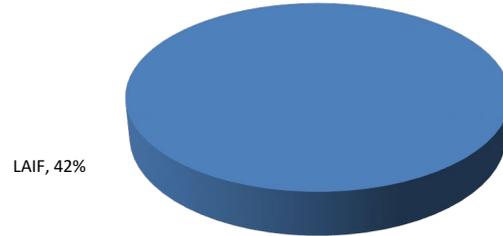
### June 30, 2019

#### City Managed Assets

			%	Return
LAIF	\$	64,997,284	42%	2.43%
<b>Total Internally Managed</b>	<b>\$</b>	<b>64,997,284</b>	<b>42%</b>	

**Weighted Average Yield** **2.43%**

	Days
Effective Average Duration - Internal	1
Weighted Average Maturity - Internal	1

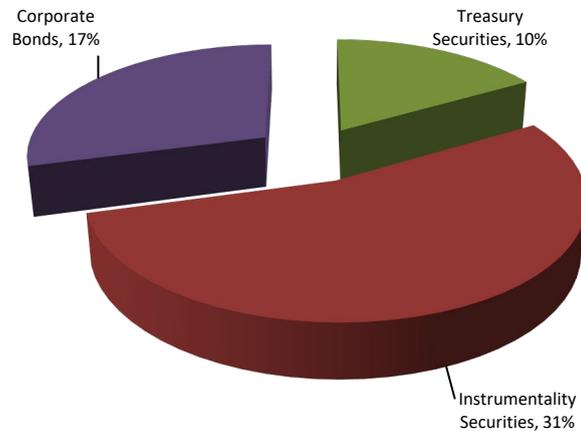


#### Advisor Managed Assets

			%	Return
Treasury Securities	\$	14,936,096	10%	1.92%
Instrumentality Securities	\$	48,419,412	31%	2.09%
Corporate Bonds	\$	26,124,347	17%	2.28%
<b>Total Externally Managed</b>	<b>\$</b>	<b>89,479,855</b>	<b>58%</b>	

**Weighted Average Yield** **2.12%**

	Years
Effective Average Duration - External	1.50
Weighted Average Maturity - External	1.58

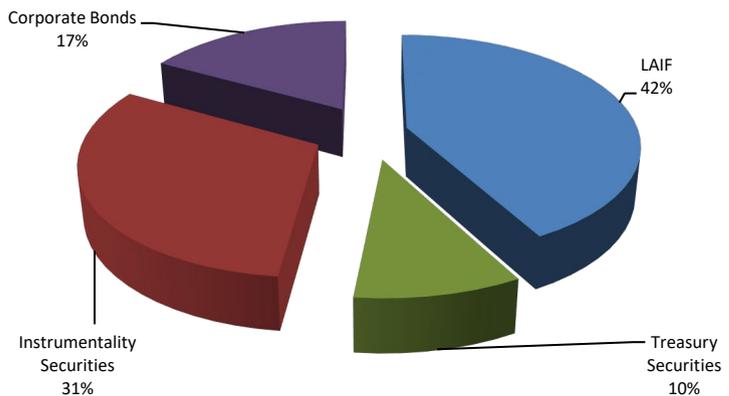


#### Total Portfolio Assets

			%	Return
LAIF	\$	64,997,284	42%	2.43%
Treasury Securities	\$	14,936,096	10%	1.92%
Instrumentality Securities	\$	48,419,412	31%	2.09%
Corporate Bonds	\$	26,124,347	17%	2.28%
<b>Total Portfolio Assets</b>	<b>\$</b>	<b>154,477,139</b>		

**Weighted Average Yield** **2.25%**

	Years
Effective Average Duration - Total	0.87
Weighted Average Maturity - Total	0.92



#### Portfolio Change

Beginning Balance	\$	147,810,381
Ending Balance	\$	154,477,139

Yield Comparison	2-Year Treasury	2-Year Treasury (18 Month Trailing)
	1.79%	1.34%

\* Note: All data for external assets was provided by the client and is believed to be accurate.  
 Insight Investment does not manage the external assets and this report is provided for the client's use.  
 Market values are presented.