

City of Huntington Beach City Treasurer's Report



Quarter ending: December 2016

**Alisa Cutchen, CCMT, CPFIM
City Treasurer**

Office of the City Treasurer

- City Charter - Section 311 Powers and Duties
- City Treasurer elected to 4-year term
- Responsible to electorate

Citizens of
Huntington Beach

City Treasurer

City Treasurer's Mission: Preservation and Return of Investments

- ❖ Portfolio governed by:
 - California Government Code Section 53600 et seq
 - City's Investment Policy
 - Certified by California Municipal Treasurers Association
 - Reviewed and adopted annually

Goal - Own Legal AND Suitable Investments to meet objectives of:

- ❖ Safety of Principal
- ❖ Adequate Liquidity
- ❖ Market Rate of Return

In this absolute order of priority

Allowable Investments:

- ❖ CA Government Code Section 53651
- ❖ FY2016/17 Investment Policy
- ❖ Most commonly utilized:
 - U.S. Treasuries
 - Federal Agencies
 - Corporate Notes “A” rated and above
 - CA State Local Agency Investment Fund “LAIF”

Investment Policy Limits:

- ❖ Maximum maturity
- ❖ Maximum specified % of portfolio
- ❖ Minimum quality (rating) requirements
- ❖ Maximum 10% per issuer except U.S. Treasury & Agency issues

Market Overview

September - December 2016

- ❖ Federal Reserve **↑** interest rates in Dec:
0.50 – 0.75%
- ❖ DJIA **↑** 8%/S&P **↑** 3% vs. prior qtr.
- ❖ 10-year US Treasury 12/31: 2.45%

10 Year Treasury: 1964-2016

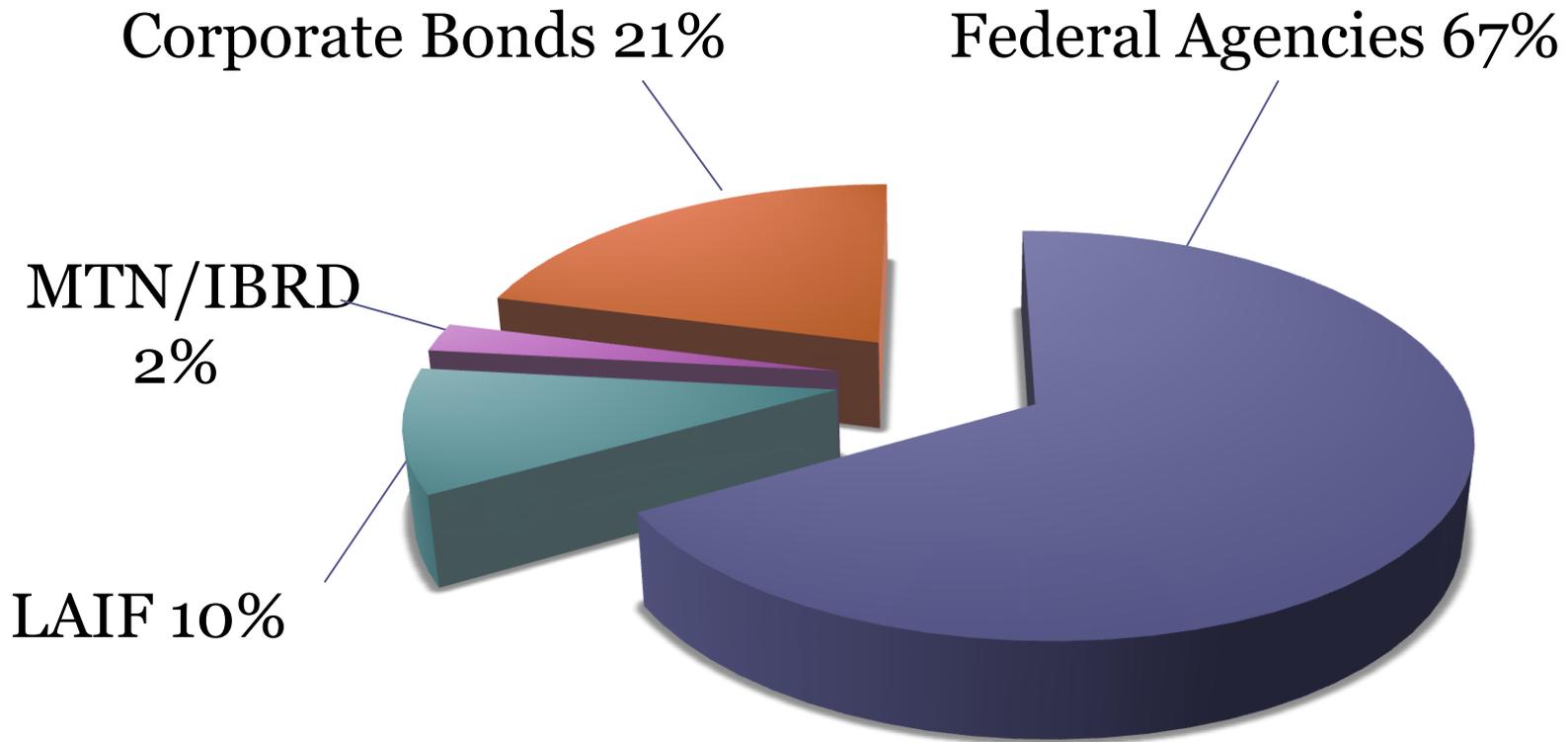


Portfolio Overview 12/31/16

\$ in millions:

<u>Investment Type</u>	<u>Market Value</u>
Federal Agency Issues	\$ 140.9
Local Agency Investment Fund (LAIF)	\$ 21.5
Medium Term Notes - IBRD	\$ 5.0
Corporate Bonds	\$ 44.5
Total Portfolio	\$ 211.9

Portfolio Composition 12/31/16



Based on book value

Portfolio Holdings 12/31/16

❖ **Federal Agency Holdings:**

- **Federal Home Loan Bank**
- **Federal National Mortgage Association
(Fannie Mae)**
- **Federal Farm Credit Bank**
- **Federal Home Loan Mortgage Corp.
(Freddie Mac)**

Portfolio Holdings 12/31/16

❖ **Select Corporate Bond Issuers:**

- **Apple Inc.**
- **Caterpillar Financial Corp.**
- **GE Capital Corp.**
- **Coca Cola Co.**
- **Merck & Co Inc.**
- **Oracle Corp.**

Portfolio Compliance 12/31/16

<u>Investment Type</u>	<u>Policy Limit</u>	<u>Actual</u>	<u>Compliance</u>
Federal Agency Issues	None	67%	yes
Local Agency Investment Fund (LAIF)	\$65 million	\$21.5 million	yes
Medium Term Notes - IBRD	10%	2%	yes
Corporate Bonds	30%	21%	yes
<u>Portfolio</u>			
Maximum per Issuer*	10%		yes
Maximum maturity	5 years		yes

*Except for US Treasury/Agency Issues

Based on book value

Portfolio Earnings 12/31/16

<u>Portfolio Earnings</u>	<u>Month End 12/31/16</u>	<u>FY 2016/2017</u>
Current Year	\$ 200,298	\$ 572,494
Current Budget	\$ 140,000	\$ 420,000
Last Year Actual	\$ 169,539	\$ 499,573
Effective Rate of Return	1.19%	1.15%

Conclusion

- ❖ Portfolio Earnings offset taxpayer \$ for:
 - operating expenses
 - capital projects
 - debt repayment
 - other liabilities
- ❖ Portfolio remains compliant with relevant governmental regulations and the City's Investment Policy

QUESTIONS?



Thank you!