



Staff Report

Date: January 9, 2014
To: Mayor P. Beach Kuhl and Town Council
From: Town Manager
Subject: Investment Report for the Second Quarter of FY2014

Recommendation

The Council accepts the report for the Second Quarter ending December 31, 2013, as presented.

Background and discussion

This update is provided on the Town's investments as of December 31st. The Council should reference the attached report which shows the investments of the Town as of December 31, 2013. The notes to the statements show the report dates for the amount of the investments.

Fiscal, resource and timeline impacts

No financial impact from accepting the report. The Town continues to meet the priority principals of investing: safety, liquidity and yield in respective order. The portfolio is conservatively invested. Sufficient liquidity exists to fund operating and capital project requirements for the next six months.

The returns on the portfolio are currently negative in the current interest rate environment. The cash in Wells is for day to day short term operations and there is no return on these funds. The return on the LAIF funds is .27 basis points and the return on the CalTRUST funds is .38%. The current RBC CD's are in the range of .35 to 1.2% and the overall yield to maturity on the RBC mortgage backed securities are 2.7%. The extreme market volatility in the interest rate (bond) market has caused the market value to fluctuate. The market value is currently less than the original price paid. However, the CD's are insured, and will mature at full value.

Alternative actions

No alternative actions are suggested

Environmental review (if applicable)

N/A

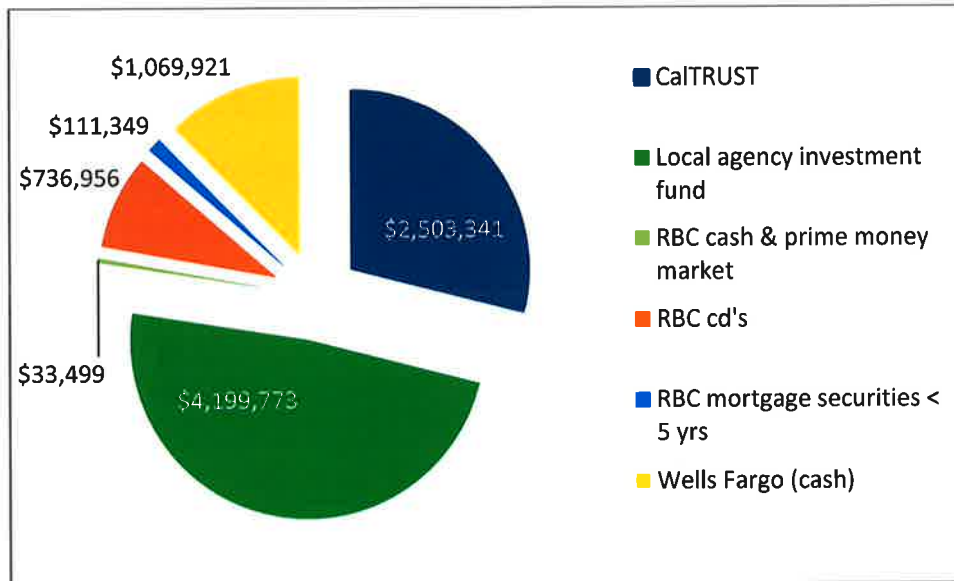
Attachments

- Town investment report

- CalTRUST statement as of 12.31.13
- LAIF quarterly rates data and LAIF Average Monthly Yields, November 2013
- RBC summary statement as of 11.31.13
- Wells Fargo summary statement as of 12.31.13
- Wall Street Journal Article 12.26.13, "Munis Wrap Up Tough Year"

**Town of Ross
Quarterly Investment Portfolio Summary Report**

	Amount	%
CalTRUST	\$2,503,341	29%
Local agency investment fund	\$4,199,773	49%
RBC account value including interest	\$881,804	10%
Wells Fargo (cash)	\$1,069,921	12%
Total investments	\$8,654,839	100%



- (1) The LAIF account is for December 2013 statement
- (2) The RBC accounts as of November 30, 2013
- (3) The Wells Fargo cash account as January 2, 2014
- (4) The CalTRUST account is as of December 31, 2013
- (5) The Town Council approved a new Annual Investment Policy March 14th, 2013. As part of this approval, the Council agreed to continue the investments in mortgage backed securities less than five years to protect the current investment returns. The new policy does not permit investments in these securities other than this stipulation approved by the Council.
- (6) Numbers rounded

The above investments are consistent with the Town’s Annual Investment Policy and are allowable under current legislation of the State of California. Investments are selected using safety, liquidity and yield as the criteria.



Investment Trust of California

Service Center
888-422-8778

CALTRUST trading will cease at 10:00 AM PST on Tuesday, December 31st. CALTRUST will be closed Wednesday, January 1st.

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[Yield & NAV History](#)

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Account Summary for TOWN OF ROSS

Fund Name	Shares	Market Value	Date
The Heritage Money Market Fund - Select Class	0.000	\$0.00	12/31/2013
CalTrust Short Term Fund	249,585.403	\$2,503,341.59	12/30/2013
CalTrust Medium Term Fund	0.000	\$0.00	12/30/2013
Total Balance as of 12/31/2013	249,585.403	\$2,503,341.59	



	CalTrust Short Term	LAIF		CalTrust Short Term Total Return	CalTrust Short Term Yield Return	LAIF Yield Return
Market Value	\$639,174,595.83	N/A	One Month	0.06%	0.03%	0.02%
NAV per Share	\$10.03	N/A	Three Month	0.22%	0.09%	0.07%
Yield	0.38%	0.26%	Six Month	0.25%	0.18%	0.13%
Period Total Return	0.06%	N/A	Calendar Y-T-D	0.36%	0.31%	0.25%
Period Yield Return	0.03%	0.02%	One Year*	0.40%	0.34%	0.27%
Effective Duration	0.61 yrs.	N/A	Two Year*	0.48%	0.39%	0.32%
Average Maturity	1.40 yrs.	0.59 yrs.	Three Year*	0.46%	0.44%	0.35%
			Five Year*	0.92%	0.60%	0.59%
			Since Inception*	2.20%	2.15%	2.12%
				<i>*Annualized</i>		

Portfolio Sector Breakdown		Portfolio Quality Breakdown	
	<ul style="list-style-type: none"> ■ US Govt Agency 32.1% ■ Corporate 29.1% ■ MBS/ABS 15.7% ■ Muni 12.9% ■ MONEYMKT 5.4% ■ COMPAPER 4.8% Total: 100.0% 		<ul style="list-style-type: none"> ■ AA+ 34.6% ■ AAA 24.2% ■ A+ 9.9% ■ A- 7.9% ■ A 7.5% ■ AA- 5.1% ■ A-1 4.8% ■ AA 4.4% ■ SP-1+ 1.1% ■ BBB+ 0.3% ■ AA/A-1+ 0.2% Total: 100.0%

Disclosure to Performance Information

- This performance information is based on an inception date of February 13, 2005, when the CalTrust Short-Term portfolio commenced investment operations according to its investment objective, and does not include any investment returns from temporary investments held before the commencement of those operations.
- First-month index returns, February 13-28, 2005, are intra-period and were calculated by calculating the average daily return during the month and multiplying the average daily return by number of days in the shortened period.
- Performance was calculated net of investment advisory and program administration fees.
- The Local Agency Investment Fund (LAIF) is a diversified portfolio managed by the State of California for local governments and special districts.
- Performance for the CalTRUST Short Term Account is on a trade date basis. LAIF's monthly performance was calculated by taking the average monthly effective yield and dividing it by 365 then multiplying the result by the number of days in the month.
- Yield represents the 7-day net distribution on investments for the period.
- Rating source - Standard & Poor's.
- Past performance is no guarantee of future results.

Local Agency Investment Fund
 P.O. Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001

www.treasurer.ca.gov/pmia-laif
 January 02, 2014

TOWN OF ROSS

TREASURER
 P.O. BOX 320
 ROSS, CA 94957

PMIA Average Monthly Yields

Account Number:
 98-21-750

Tran Type Definitions

December 2013 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
12/2/2013	12/2/2013	RW	1416814	KELLEY REID	-205,000.00
12/17/2013	12/17/2013	RD	1417906	KELLEY REID	1,200,000.00

Account Summary

Total Deposit:	1,200,000.00	Beginning Balance:	3,204,773.13
Total Withdrawal:	-205,000.00	Ending Balance:	4,199,773.13

**BILL LOCKYER
TREASURER
STATE OF CALIFORNIA**

LOCAL AGENCY INVESTMENT FUND (LAIF)

LAIF WEBINAR REGISTRATION

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
12/10/2013	0.27	0.27	221
12/11/2013	0.27	0.27	219
12/12/2013	0.27	0.27	222
12/13/2013	0.27	0.27	221
12/14/2013	0.27	0.27	221
12/15/2013	0.27	0.27	221
12/16/2013	0.26	0.27	220
12/17/2013	0.26	0.27	221
12/18/2013	0.26	0.27	222
12/19/2013	0.26	0.27	219
12/20/2013	0.26	0.27	219
12/21/2013	0.26	0.27	219
12/22/2013	0.26	0.27	219
12/23/2013	0.26	0.27	218

*Daily yield does not reflect capital gains or losses

LAIF Performance Report

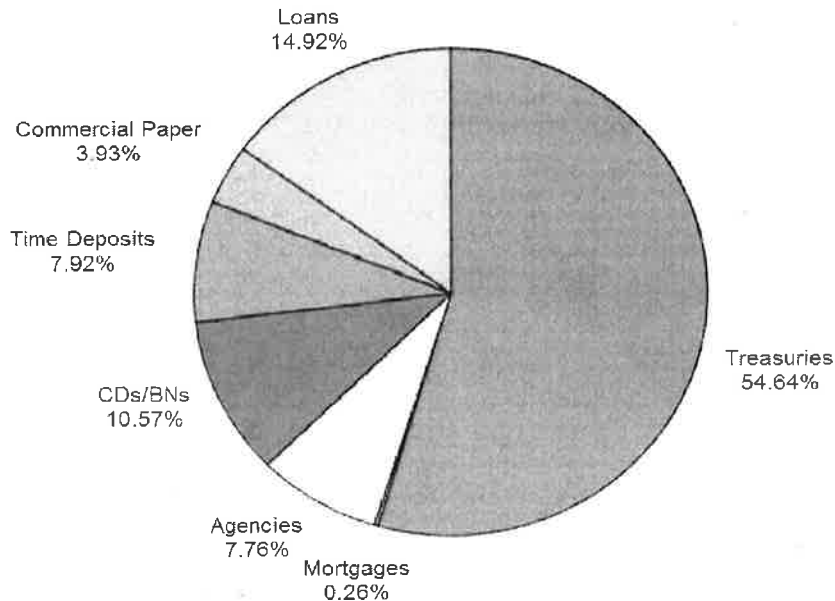
Quarter ending 09/30/2013

Apportionment Rate: 0.26%
 Earnings Ratio: .00000703151403121
 Fair Value Factor: 1.00056732
 Daily: 0.25%
 Quarter To Date: 0.27%
 Average Life: 239

PMIA Average Monthly Effective Yields

NOV 2013 0.263%
 OCT 2013 0.266%
 SEPT 2013 0.257%

Pooled Money Investment Account
 Portfolio Composition
 \$56.5 Billion
 11/30/13





RBC Wealth Management

A division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC.

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010SI
098
TOWN OF ROSS
ATTN ROB BRAULIK
PO BOX 320
ROSS CA 94957-0320



YOUR INFORMATION

Government Account

Your Financial Advisor

Edward Schuller
RBC Wealth Management
345 California Street
29th Floor
San Francisco CA 94104
Telephone: (415) 445-8312 or (800) 445-8312
Fax: (415) 391-9586
E-mail: edward.schuller@rbc.com
Web: www.rbcwm-usa.com

Branch Director: Charles Evans II

Telephone: (415) 445-8500

Complex Director

Robert Spawin
Wm
San Francisco
CA



ACCOUNT STATEMENT

NOVEMBER 1, 2013 - NOVEMBER 30, 2013

Account number:
301-51481
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ACCOUNT VALUE SUMMARY

	THIS PERIOD	THIS YEAR
Beginning account value	\$884,361.55	\$3,714,098.36
Return of principal	8,188.99	134,591.20
Withdrawals	0.00	-2,811,776.58
Taxable income	1,614.29	27,581.22
Change in asset value	-12,360.46	-182,689.83
Ending account value	\$881,804.37	\$881,804.37

TOTAL PORTFOLIO VALUE

Ending account value	\$881,804.37
Estimated accrued interest	1,231.42
Total portfolio value	\$883,035.79

Please see "About Your Statement" on page 2 for further information.

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Important new regulations are going into effect in 2014 as part of the overall Form 1099 reporting changes that began in 2011. For more information about these regulation changes, please visit www.rbcwm-usa.com and click the "Legal/Disclosures" link at the bottom of the home page followed by "Cost Basis Updates." Check back regularly for updates.

J.D. Power & Associates Ranks RBC Wealth Management

Highest in Investor Satisfaction

RBC Wealth Management has been ranked "Highest in Investor Satisfaction With Full Service Brokerage Firms" in the J.D. Power & Associates 2013 U.S. Full Service Investor Satisfaction Study(SM). We believe this achievement reflects our firm's strong commitment to putting client interests first and carefully managing the wealth that clients entrust to our care. For more information, visit rbcwm-usa.com (News Releases).

cc: Liz Kelley
FIAC, Council



Wells Fargo Business Online®

Last Sign On: January 01, 2014

Account Summary**TOWN OF ROSS Accounts****Cash Accounts**

Account	Available Balance	Related Activities
BUS CHECKING - PUBLIC FUNDS XXXXXX7042	\$1,069,921.26	Add Overdraft Protection
Total	\$1,069,921.26	

Equal Housing Lender

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CREDIT MARKETS

Munis Wrap Up Tough Year

Improvement Is Expected in 2014 After Worst Showing in More Than a Decade

By MIKE CHERNEY

Municipal bonds are on track to post their worst annual performance in nearly two decades as 2013 ushered in more financial woes for U.S. cities.

Municipal debt is down 2.58% so far this year after handing investors a 6.78% return in 2012 and a 10.70% return in 2011, according to Barclays's municipal-bond index.

"We've had these high-profile credit problems that have caught the attention of investors," said Jim Grabovac, senior portfolio manager at McDonnell Investment Management, which oversees about \$8 billion in municipal debt.

Bonds from states, cities and counties are having their worst year since 1994, when interest rates spiked.

Bond markets have sold off broadly this year as investors braced for the Federal Reserve to start dialing back easy-money policies that had supported credit markets since the financial crisis.

The Fed last week said it would begin paring its bond purchases in January.

The yields on the benchmark 10-year Treasury note hit a three-month high of 2.985% on Tuesday, up from 1.78% at the end of 2012. Bond yields move in the opposite direction as prices.

But municipal bonds, long coveted by mom-and-pop investors for their relative safety and tax benefits, took a bigger hit than many other bond markets after a number of negative headlines out of places such as Detroit, Chicago and Puerto Rico.

Munis were "the one fixed-income class that didn't stabilize," said Tom Weyl, municipal strategist at Barclays. Mr. Weyl cited Detroit's filing for bankruptcy protection, concerns about Chicago and Illinois pension costs and economic worries in Puerto Rico.

Highly rated U.S. corporate debt is down just 1.57% in comparison, according to Barclays data.

Some investors say 2014 is likely to be brighter for munis. Barclays still projects losses, but not as severe: a negative return

of 1.45%.

It also expects municipal bonds to post better returns next year than U.S. Treasury debt. New bond sales are forecast to decline 16%, to about \$270 billion, which could help prop up prices.

And some tax revenues are recovering from the economic downturn. States have reported growth in tax collections for 15 consecutive quarters, according

to the Rockefeller Institute of Government.

The municipal-bond market was last roiled in late 2010, when analyst Meredith Whitney predicted widespread municipal defaults.

There hasn't been a wave of defaults, although a smattering of cities have stumbled. Stockton, Calif., and Jefferson County, Ala., sought protection from creditors in recent years. De-

troit's filing is the largest municipal bankruptcy in U.S. history.

"All these defaults you see in the muni market are demographic problems or just bad deals," said Gene Gard, a portfolio manager at Dupree Mutual Funds, which oversees \$1.3 billion and invests in highly rated municipal bonds. "We don't think there's a big day of reckoning happening in the muni market."

Municipal Malaise

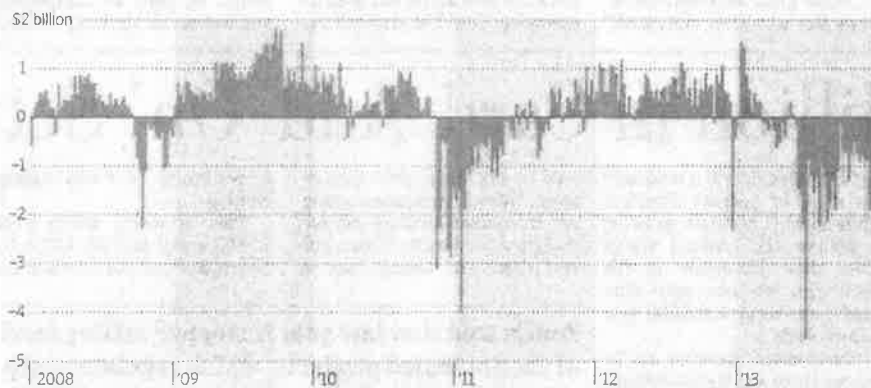
Municipal bonds have underperformed many other types of debt.

Returns, year-to-date through Tuesday



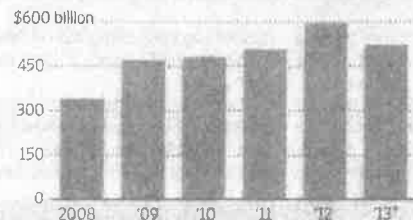
Investors yanked a record amount from muni-bond funds this year...

Flow of money, weekly



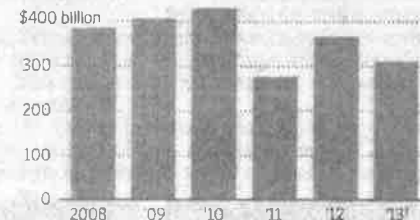
...causing assets in those bond funds to decline...

Fund assets at year-end



...and making it harder for cities and towns to sell debt.

Muni-bond issuance



*Includes all funds through Nov. 27. †As of Dec. 23
Sources: Barclays (returns), Lipper (fund flows), Thomson Reuters (issuance)

The Wall Street Journal