City of Villa Park
17855 Santiago Boulevard
Villa Park, California 92861
(714) 998-1500

INVESTMENT ADVISORY COMMITTEE
July 16, 2014
9:30 a.m.

The Investment Advisory Committee of the City of Villa Park welcomes you to this meeting. We encourage your participation. This agenda contains a brief description of each item to be considered.

If you wish to speak on an item contained on the agenda, please approach the podium at the time the item is being considered. Upon recognition by the Chair, state your name and address for the record prior to providing your comments. Speakers will be limited to a time period set by the presiding officer.

All supporting information is available for public review in the City Hall offices.

Please Note: In compliance with the Americans with Disabilities Act, the City of Villa Park will make every reasonable attempt to accommodate attendees or participants at this meeting who need special assistance beyond what is normally provided. Please contact the City Hall at (714) 998-1500 at least 48 hours prior to this meeting to inform us of particular needs and to determine if accommodation is feasible, Please advise us at the time of your call if special assistance is required to attend or participate in meetings on a regular basis.

ORDER OF BUSINESS

1. CALL TO ORDER

2. ROLL CALL
   William Nelson, Chair, Investment Advisory Committee
   William Underwood, Vice-Chair, Resident Member
   Dan Carlberg, Resident Member
   James Rheins, Resident Member
   Steven Pollack, Resident Member
   Rick Barnett, Mayor, Chair, City Council Finance Committee
   Brad Reese, Councilmember, City Council Finance Committee
   Dennis Kuli, City Treasurer

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

5. DISCUSSION ITEMS
   a) Discuss investing with CalTrust.
   b) Discuss and revise Investment Policy.
   c) Review of April Regular Minutes.
   d) Review and discuss current investment activities.
   e) Resident Member Carlberg to report back on investing in variable CDs.

6. ADJOURNMENT
   Next regular meeting date is October 22, 2014 at 9:30 AM.

CONSENT
AGENDA ITEM # ____

CITY OF VILLA PARK
CITY COUNCIL
JULY 22, 2014

To: Honorable City Council

From: Jarad Hildenbrand, City Manager

By: Michelle Danaher, Finance Director

SUBJECT: AUTHORIZE INVESTMENT WITH CALTRUST FOR ADDITIONAL INVESTMENT PURCHASES

BACKGROUND

At the June 24, 2014 City Council meeting, the City Council approved $1,300,000 to be held in the City's "General Fund Undesignated Reserve balance", which is to be invested in long term laddering instruments. Currently, the City holds approximately 14% of its monies in laddered Certificates of Deposits (CD's), 6% in Medium Term Notes, 11% in Government Bonds, 29% of its monies in the Local Agency Investment Fund (LAIF), 29% of its monies in the Orange County Investment Pool (OCIP), with the remaining balances in checking and savings accounts. For the past three fiscal years the City has seen a significant decline in interest earnings specifically in the "pooled", highly liquid investments from an average of 0.47% in FY 11/12, to 0.32% in FY 12/13 and finally to a three year low of 0.25% in FY 13/14.

As a result of the decline in interest rates and an increase in our General Fund Undesignated Reserve Balance, the Investment Advisory Committee (IAC) along with staff has spent the last few months researching various avenues to increase the City's rate of return through further diversification of the City's investment portfolio while maintaining safety and liquidity as our highest priorities as established in our Investment Policy. In order to maintain a segregation of duties and utilize experts in the investment world, the City had previously contracted with Wells Fargo Advisors, LLC as our investment advisor (broker/dealer) to assist in researching higher yields for the City. However, at the IAC's regular meeting on April 14, 2014, CalTrust presented to the committee a new option for the city to invest in another government pool option, CalTrust. This pool is bound by the same investment restrictions the City of Villa Park is governed by, Government Code Section 53600 and 53646. Per the April 2014 CalTrust newsletter, the Medium-Term CalTrust investments outperformed LAIF/OCIP by 40 basis points. Diversification is important in safeguarding the City assets, and investing in another pool option could earn the City another $3,000 - $5,000 a year in interest.

At the July 16, 2014 IAC regular meeting, the IAC agreed it would be prudent for the City to diversify its investments further in order to earn more interest. The IAC and staff came to the agreement that the City should invest an additional $500,000 of the City's funds in Medium Term investments, with CalTrust.

The investments purchased through CalTrust are priced inclusive of their broker/dealer and bank fees. Inclusive pricing means that the "yield to maturity" quoted to the City is net of the above mentioned fees.

If approved, the City will hold approximately 14% of its monies in laddered CD's, 6% in laddered Medium Term Notes, 11% in Government Bonds, 14% of its monies in the CalTrust, 24% of its monies in the LAIF, 24% of its monies in the OCIP, with the remaining balances in checking and savings accounts.

This matter was discussed at the Investment Advisory Committee meeting on April 14th and July 22, 2014.

FISCAL IMPACT

Fees will be embedded into the purchase of the investment and will be a net effect of the interest earned, similarly to how our LAIF account is currently processed. City staff anticipates an increase in interest earned on an annual basis in the General Fund.

RECOMMENDED ACTION

Staff recommends that the City Council authorize City staff to work with CalTrust and additionally invest $500,000 in the CalTrust Medium Term pool.

Option A

Invest $500,000 with CalTrust in Medium Term Accounts

Invest $800,000 with LAIF in short term accounts.

Invest $800,000 with OCIP in short term accounts.

Maintain approximately $1,000,000-$1,700,000 in liquid money.

Diversify money in a new pool.

Earn more $3,000-$5,000 more in interest.

Option B

Invest $500,000 with CalTrust in Medium Term Accounts

Invest $1,600,000 with LAIF in short term accounts.

Maintain approximately $1,000,000-$1,700,000 in liquid money.

Earn more $3,000-$5,000 more in interest.

Loose diveristy in investments and invest 46% in LAIF.

Option C

Status Quo

Lose $3,000-$5,000 in interest.

City of Villa Park
17855 Santiago Boulevard
Villa Park, California 92861
(714) 998-1500

INVESTMENT ADVISORY COMMITTEE

Summary Minutes
April 14, 2014

1. CALL TO ORDER
   The meeting was called to order at 9:30 a.m. by Chair Nelson.

2. ROLL CALL

   The following members and attendees were present:
   Bill Nelson, Chair, Investment Advisory Committee
   Bill Underwood, Vice-Chair, Resident Member
   Steven Pollack, Resident Member
   James Rheins, Resident Member
   Michelle Danaher, Finance Director
   Dennis Kuli, City Treasurer

   Lyle Defenbaugh, CalTrust

   The following members and attendees were absent:
   Rick Barnett, Councilmember, Chair, City Council Finance Committee
   Brad Reese, Councilmember, City Council Finance Committee
   Dan Carlberg, Resident Member

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

   Finance Director Danaher congratulated Chair Nelson for receiving the Cemeterian of the Year Award.

5. DISCUSSION ITEMS

   a. Presentation by Lyle Defenbaugh with CalTrust

      - Lyle Defenbaugh gave a presentation for investment options with CalTrust. Discussion was had, and the most attractive investment option discussed among the IAC was the Medium-Term option. Per the April 2014 CalTrust newsletter, the Medium-Term fund out performed LAIF by 40 basis points. The IAC committee as a whole is interested in investing with CalTrust and has requested that Finance Director Danaher bring forward varying proposals of investing with CalTrust at the July, 2014 IAC meeting for consideration.

b. Review of January 2014 minutes

- Resident Member Pollack moved approval, seconded by Vice-Chair Underwood. Motion carried.

c. Review and discuss current investment activities

- Finance Director Danaher presented current investment activities for the last quarter.

d. Resident Member Carlberg to report back on investing in variable CDs-update

- Resident Member Carlberg was absent. This item is continued until the July 16, 2014 IAC meeting.

6. ADJOURNMENT

The meeting was adjourned at 11:02 am. The next regular meeting of the IAC will be held on Wednesday, October 22, 2014, at 9:30 a.m.

CITY OF VILLA PARK
TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
30-Apr-14

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Book Value	Par Value	Balance Amount		% of Total Investment
Cash on Deposit												
F&M Checking Account										$ 752,496.04		21%
F&M Parking Citation Account				0.01%	***					2,348.00		0%
F&M Money Market Account				0.10%	***					70,965.35		2%
Petty Cash										400.00		0%
WF Cash Bank Deposit Sweep										-		0%
Investments												
State-Local Agency Investment Fund**				0.24%	**	777,326.85 +				778,025.63	1	22%
Orange County Investment Pool				0.25%	***	810,401.07 +				811,129.59	2	23%
Government Bonds:												
Federal Natl Mtg Assn Notes	7/26/2012	7/26/2017	7/26/2013	1.15%	^	99,967.00	1.15%	100,067.50	100,000.00	100,270.47	#,6	3%
Federal Home Ln Bank	11/9/2012	11/9/2017	5/9/2013	1.00%	^	99,168.00	1.00%	100,005.00	100,000.00	99,645.78	#,6	3%
Federal Farm Credit Bank	11/18/2013	11/5/2018	11/5/2014	1.70%		100,011.00	1.69%	100,006.00	100,000.00	100,842.11	#,6	3%
Federal Home Ln Mtg Corp Notes	1/16/2014	1/16/2019	7/16/2014	2.00%	^	100,256.00	1.99%	100,006.00	100,000.00	100,839.33	#,6	3%
Subtotal of Government Bonds						*399,402.00*		*400,084.50*	*400,000.00*		5	*11%*
Medium Term Notes:												
Barclays bank PLC	1/23/2013	6/24/2016		1.20%	^,7	96,113.29	3.90%	99,883.87	91,000.00	97,437.53	#,4	3%
Goldman Sachs Grp Inc	7/17/2013	1/22/2018		2.38%	^,7	99,058.40	2.34%	97,954.06	98,000.00	99,698.46	#,4	3%
Subtotal of Medium Term Notes						*195,171.69*		*197,837.93*	*189,000.00*		3	*6%*
Certificates of Deposits:												
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	101,417.00	2.76%	100,000.00	100,000.00	102,084.40	#,4	3%
State Bank India	8/12/2011	8/12/2016		2.00%	^	101,969.00	1.96%	100,000.00	100,000.00	102,396.40	#,4	3%
Goldman Sachs Bk USA CD	8/8/2012	8/8/2017		1.80%	^	100,237.00	1.79%	100,000.00	100,000.00	100,641.38	#,4	3%
GE Cap Retail Bk Draper Utah	2/14/2014	2/14/2019		1.95%	"	99,747.33	1.96%	100,003.50	100,000.00	100,148.01	#,4	3%
Union Bank	7/18/2012	7/18/2017		1.39%	"	99,359.91	1.41%	99,999.00	99,999.00	99,410.10	#,4	3%
Subtotal of Certificates of Deposits						*502,730.24*		*500,002.50*	*499,999.00*		3	*14%*
TOTAL CASH ON DEPOSIT & INVESTED										**$ 3,518,778.58**		**100%**

** Prior Months Annualized Interest Rate
*** Monthly Annualized Interest Rate
+ Market Value as of June 2013.
^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.
" Investments were purchased through Union Bank.
Market value plus accrued interest at the end of the month.
1 Not to exceed 80% of total investments
2 Not to exceed 33% of total investments
3 Not to exceed 30% of total investments at time of purchase.
4 Not to exceed 5% of a single issuer at the time of purchase.
5 Not to exceed 100% of total investments at time of purchase.
6 Not to exceed 40% of a single issuer at the time of purchase.
7 Investments were rated A or above at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.
I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

City Treasurer

Date Submitted to City Council

1.25%

$ 3,513,289.54

CITY OF VILLA PARK
TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
31-May-14

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Book Value	Par Value	Balance Amount		% of Total Investment
Cash on Deposit												
F&M Checking Account										$ 196,554.92		5%
F&M Parking Citation Account				0.01%	***					1,000.00		0%
F&M Money Market Account				0.10%	***					203,333.68		6%
Petty Cash										400.00		0%
WF Cash Bank Deposit Sweep										1,350.01		0%
Investments												
State-Local Agency Investment Fund**				0.23%	**	1,042,088.84 +				1,043,025.63	1	28%
Orange County Investment Pool				0.31%	***	1,125,285.91 +				1,126,297.49	2	31%
Government Bonds:												
Federal Natl Mtg Assn Notes	7/26/2012	7/26/2017	7/26/2013	1.15%	^	99,979.00	1.15%	100,067.50	100,000.00	100,378.31	#,6	3%
Federal Home Ln Bank	11/9/2012	11/9/2017	5/9/2013	1.00%	^	99,493.00	1.00%	100,005.00	100,000.00	99,554.11	#,6	3%
Federal Farm Credit Bank	11/18/2013	11/5/2018	11/5/2014	1.70%		100,266.00	1.69%	100,006.00	100,000.00	100,388.78	#,6	3%
Federal Home Ln Mtg Corp Notes	1/16/2014	1/16/2019	7/16/2014	2.00%	^	100,091.00	1.99%	100,006.00	100,000.00	100,841.00	#,6	3%
Subtotal of Government Bonds						*399,829.00*		*400,084.50*	*400,000.00*		5	*11%*
Medium Term Notes:												
Barclays bank PLC	1/23/2013	6/24/2016		1.20%	^,7	95,975.88	3.91%	99,883.87	91,000.00	97,612.93	#,4	3%
Goldman Sachs Grp Inc	7/17/2013	1/22/2018		2.38%	^,7	99,661.10	2.33%	97,954.06	98,000.00	100,495.12	#,4	3%
Subtotal of Medium Term Notes						*195,636.98*		*197,837.93*	*189,000.00*		3	*5%*
Certificates of Deposits:												
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	101,274.00	2.76%	100,000.00	100,000.00	102,179.20	#,4	3%
State Bank India	8/12/2011	8/12/2016		2.00%	^	101,969.00	1.96%	100,000.00	100,000.00	102,566.26	#,4	3%
Goldman Sachs Bk USA CD	8/8/2012	8/8/2017		1.80%	^	100,558.00	1.79%	100,000.00	100,000.00	101,115.26	#,4	3%
GE Cap Retail Bk Draper Utah	2/14/2014	2/14/2019		1.95%	"	99,928.00	1.96%	100,003.50	100,000.00	100,499.64	#,4	3%
Union Bank	7/18/2012	7/18/2017		1.39%	"	99,483.47	1.41%	99,999.00	99,999.00	99,657.22	#,4	3%
Subtotal of Certificates of Deposits						*503,212.47*		*500,002.50*	*499,999.00*		3	*14%*
TOTAL CASH ON DEPOSIT & INVESTED										**$ 3,677,249.56**		**100%**

** Prior Months Annualized Interest Rate
*** Monthly Annualized Interest Rate
+ Market Value as of June 2013.
^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.
" Investments were purchased through Union Bank.
Market value plus accrued interest at the end of the month.
1 Not to exceed 80% of total investments
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5 Not to exceed 100% of total investments at time of purchase.
6 Not to exceed 40% of a single issuer at the time of purchase.
7 Investments were rated A or above at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.
I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

City Treasurer

Date Submitted to City Council

1.26%

$ 3,668,536.65

U:\Michelle\Treasurer's Report\Treasurers Report 2014 xlsMay 14

CITY OF VILLA PARK
TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
30-Jun-14

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value		Estimated Annual Yield to Maturity	Book Value	Par Value	Balance Amount		% of Total Investment
Cash on Deposit													
F&M Checking Account											$ 203,184.00		6%
F&M Parking Citation Account				0.01%	***						1,000.04		0%
F&M Money Market Account				0.10%	***						133,484.54		4%
Petty Cash											400.00		0%
WF Cash Bank Deposit Sweep											-		0%
Investments													
State-Local Agency Investment Fund**				0.23%	**	1,023,331.26	+				1,023,025.63	1	29%
Orange County Investment Pool				0.33%	***	1,025,693.07	+				1,026,615.12	2	29%
Government Bonds:													
Federal Natl Mtg Assn Notes	7/26/2012	7/26/2017	7/26/2013	1.15%	^	99,989.00		1.15%	100,067.50	100,000.00	100,484.14	#,6	3%
Federal Home Ln Bank	11/9/2012	11/9/2017	5/9/2013	1.00%	^	99,241.00		1.00%	100,005.00	100,000.00	99,385.44	#,6	3%
Federal Farm Credit Bank	11/18/2013	11/5/2018	11/5/2014	1.70%		100,245.00		1.69%	100,006.00	100,000.00	100,509.44	#,6	3%
Federal Home Ln Mtg Corp Notes	1/16/2014	1/16/2019	7/16/2014	2.00%	^	100,040.00		1.99%	100,006.00	100,000.00	100,956.67	#,6	3%
Subtotal of Government Bonds						*399,515.00*			*400,084.50*	*400,000.00*		5	*11%*
Medium Term Notes:													
Barclays bank PLC	1/23/2013	6/24/2016		1.20%	^,7	95,631.90		3.92%	99,883.87	91,000.00	95,704.89	#,4	3%
Goldman Sachs Grp Inc	7/17/2013	1/22/2018		2.38%	^,7	99,661.10		2.33%	97,954.06	98,000.00	100,689.08	#,4	3%
Subtotal of Medium Term Notes						*195,293.00*			*197,837.93*	*189,000.00*		3	*6%*
Certificates of Deposits:													
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	101,147.00		2.76%	100,000.00	100,000.00	102,282.34	#,4	3%
State Bank India	8/12/2011	8/12/2016		2.00%	^	101,721.00		1.96%	100,000.00	100,000.00	102,482.64	#,4	3%
Goldman Sachs Bk USA CD	8/8/2012	8/8/2017		1.80%	^	100,259.00		1.79%	100,000.00	100,000.00	100,964.20	#,4	3%
GE Cap Retail Bk Draper Utah	2/14/2014	2/14/2019		1.95%	"	99,928.00		1.96%	100,003.50	100,000.00	100,499.64	#,4	3%
Union Bank	7/18/2012	7/18/2017		1.39%	"	99,595.44		1.41%	99,999.00	99,999.00	99,881.16	#,4	3%
Subtotal of Certificates of Deposits						*502,650.44*			*500,002.50*	*499,999.00*		3	*14%*
TOTAL CASH ON DEPOSIT & INVESTED											$ 3,491,548.97		100%

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I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

City Treasurer

Date Submitted to City Council
$ 3,485,634.26

Monthly Cash Analysis
As of 6/30/14

Month	Fiscal Year 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	10 Year Cash Average
July	2,155,842.54	1,834,829.93	1,629,419.01	2,330,513.12	2,325,293.53	3,029,682.15	2,006,211.19	1,933,776.44	2,588,568.48	3,557,808.01	2,339,194.44
August	2,062,312.44	1,661,497.43	1,688,323.60	2,006,854.03	2,137,123.97	2,810,920.66	1,888,897.72	1,618,443.56	2,323,671.37	3,293,502.96	2,149,154.77
September	1,633,703.01	1,524,362.96	1,552,077.91	2,112,212.18	2,069,801.14	2,483,578.08	1,785,904.42	1,313,022.91	2,222,111.12	3,210,626.08	1,990,739.98
October	1,510,718.71	1,425,308.42	1,553,442.48	1,860,605.69	1,881,990.85	2,237,848.70	1,985,405.16	1,185,310.29	2,136,980.26	2,923,692.83	1,870,130.34
November	1,574,593.88	1,352,085.37	1,667,959.78	1,781,284.82	1,904,807.90	2,253,193.98	1,868,025.15	1,101,568.31	2,472,712.20	2,931,866.45	1,890,809.78
December	2,160,088.34	1,526,656.42	2,082,728.18	2,410,563.28	2,547,409.95	2,758,043.85	2,487,206.79	1,894,916.49	3,086,150.28	3,722,548.41	2,467,631.20
January	2,068,537.90	1,773,732.82	2,499,839.82	2,613,254.94	2,875,714.27	2,923,242.01	2,890,699.40	2,516,180.19	3,262,010.64	3,923,459.95	2,734,667.19
February	1,945,588.33	1,553,595.44	2,474,449.42	2,231,402.31	2,435,405.46	2,681,111.97	2,784,580.53	2,410,102.49	3,168,162.41	2,869,885.93	2,455,428.43
March	1,910,141.61	1,413,897.33	1,979,322.37	2,318,919.12	2,322,817.69	2,567,271.14	2,357,432.87	2,310,234.28	3,159,503.30	2,914,380.73	2,325,392.04
April	2,113,797.70	1,630,189.95	2,509,767.67	2,863,404.74	2,968,242.86	3,150,989.50	2,857,509.34	2,846,132.94	3,811,275.50	3,513,289.54	2,826,459.97
May	2,299,469.08	1,922,273.76	2,641,566.75	2,959,817.97	2,879,334.88	2,897,592.84	2,919,015.94	2,999,588.08	3,989,842.47	3,668,536.65	2,917,703.84
June	2,228,027.43	1,760,053.86	2,434,198.80	2,636,786.88	2,800,449.29	2,599,847.08	2,228,838.30	3,118,081.63	3,748,863.45	3,485,634.26	2,704,078.10
Annual Average	1,971,901.75	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,699,443.50	2,338,310.57	2,103,946.47	2,997,487.62	3,334,602.65	2,389,282.51
Less Laddered CDs						(500,000.00)	(500,000.00)	(500,000.00)	(599,999.00)	(500,002.50)	(520,000.30)
Less Laddererd Agencies							(498,625.55)	(301,652.13)	(200,072.50)	(400,084.50)	(350,108.67)
Less Laddererd MTN									(199,081.07)	(197,837.93)	(198,459.50)
Annual Liquid Average	1,971,901.75	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,449,443.50	1,838,310.57	1,603,946.47	1,998,335.05	2,236,677.72	1,320,714.04

Represents the lowest cash balance of the fiscal year.