

To: Honorable Public Utilities Board

Submitted by: \_\_\_\_\_/s/\_\_\_\_\_  
Robert J. Orbeta  
AGM - Administration

From: Ina Soo-Hoo  
Financial Analyst

Approved by: \_\_\_\_\_/s/\_\_\_\_\_  
Nicolas Procos  
General Manager

Subject: Treasurer's Report for the Month Ended June 30, 2017

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### RECOMMENDATION

*For information, no action is recommended.*

### BACKGROUND

This report is submitted in compliance with Alameda Municipal Power's (AMP) policy and the State of California Government Code Sections 53607 and 53646(b).

### DISCUSSION

Funds have been managed and invested in compliance with the Public Utilities Board's Resolution No. 5098 (attached). AMP's expenditure requirements for the next six-months are covered by anticipated revenues and the liquidity of current investments.

#### ***Investments***

The stated value of AMP's investment portfolio totaled \$54,777,396 at maturity. The current market value of the portfolio totaled \$54,488,045. Investments are held to maturity or may be sold when prices yield a gain on the sale. The overall portfolio had a weighted average interest rate yield of 1.014 percent.

#### ***Interest Rates***

During the period, rates on 90-day T-Bills increased 3 basis points to 0.95 percent on June 23, 2017 from 0.92 percent on May 30, 2017. Rates on the 30-day London Interbank Offered Rate (LIBOR) increased 6 basis points to 1.06 percent in June 2017 from 1.00 percent in May 2017.

### BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

EXHIBITS

- A. Investment Portfolio Summary and Detail
- B. Supplemental Schedule - Sources of Investments & Investment Portfolio
- C. Resolution No. 5098

**Alameda Municipal Power**  
**INVESTMENT PORTFOLIO SUMMARY**  
**June 30, 2017**

	<u>Stated Value</u>	<u>Current Market Value</u>	<u>Book Value</u>	<u>Percent of Total</u>	<u>Average Return</u>
Local Agency Investment Fund	\$45,273,358	\$45,273,358	\$45,273,358	83.15%	0.925%
Cash - Uninvested	1,206,168	1,206,168	1,206,168	2.22%	0.010%
Certificates of Deposit(s)	<u>8,297,870</u>	<u>8,008,519</u>	<u>7,971,000</u>	<u>14.64%</u>	<u>1.665%</u>
 Total Investment Portfolio and Weighted Average Return	 <u>\$54,777,396</u>	 <u>\$54,488,045</u>	 <u>\$54,450,526</u>	 100.00%	 <u>1.014%</u>

FY 2017 Budgeted Interest Income	\$120,000
FY2017 Year-to-date Interest Income - estimated	\$456,757
Percent of Interest Received To Date	380.6%

	<b>Actual</b>	<b>Budgeted</b>
FY 2016 Interest Income	\$316,332	\$101,000
FY 2015 Interest Income	\$173,594	\$105,000
FY 2014 Interest Income	\$85,857	\$105,000
FY 2013 Interest Income	\$98,920	\$120,000
FY 2012 Interest Income	\$119,699	\$136,500

**Alameda Municipal Power**  
**DETAIL OF INVESTMENT PORTFOLIO**  
**June 30, 2017**

<u>Investment Description</u>	<u>Custodian</u>	<u>Stated Value</u>	<u>Interest Rate</u>	<u>Current Market Value</u>	<u>Date of Investment</u>	<u>Date of Maturity</u>	<u>Days Invested</u>	<u>Yield</u>	<u>Book Value Purchase Price</u>
<b>Local Agency Invstmnt. Fd.(LAIF)</b>	LAIF	\$45,273,358	0.925%	\$45,273,358	01-May-17	31-May-17	31	0.925%	\$45,273,358
<b>Cash-Morgan Stanley Bank NA #</b>		\$961,166	0.010%	\$961,166	01-May-17	31-May-17	31	0.010%	\$961,166
<b>Cash-Morgan Stanley Private Bank NA #</b>		<u>\$245,002</u>	0.010%	<u>245,002</u>	01-May-17	31-May-17	31	0.010%	<u>\$245,002</u>
	Subtotal	<u>\$1,206,168</u>		<u>\$1,206,168</u>				0.010%	<u>\$1,206,168</u>
<b>Certificates of Deposit</b>									
Morgan Stanley CD - Merrick Bank South Jordan, UT		\$245,403	1.000%	245,007	10-Jun-15	09-Jun-17	730	1.000%	\$245,000
Morgan Stanley CD - Berkshire Bk, Pitt Pittsfield, MA		\$247,450	1.000%	245,015	19-Jun-15	19-Jun-17	731	1.000%	\$245,000
Morgan Stanley CD - Goldman sachs New York, NY		\$247,948	1.200%	245,147	30-Jul-14	31-Jul-17	1097	1.200%	\$245,000
Morgan Stanley CD - Marlin Business Salt Lake City, UT		\$248,851	1.250%	245,238	14-Oct-14	16-Oct-17	1098	1.250%	\$245,000
Morgan Stanley CD - Washington TR Westerly, RI		\$247,817	1.150%	245,245	13-Nov-14	13-Nov-17	1096	1.150%	\$245,000
Morgan Stanley CD - JP Morgan Chase NA Columbus, Ohio		\$249,782	1.300%	245,125	10-Apr-15	10-Apr-18	1096	1.300%	\$245,000
Morgan Stanley CD - Compass BK, Birmingham, AL		\$247,948	1.200%	244,990	13-May-15	14-May-18	1097	1.200%	\$245,000
Morgan Stanley CD - Cardinal Bank, Mclean, VA		\$248,314	1.250%	245,005	19-Jun-15	19-Jun-18	1096	1.250%	\$245,000
Morgan Stanley CD - Discover BK Greenwood, DE		\$253,330	1.700%	246,210	06-Aug-14	06-Aug-18	1461	1.700%	\$245,000
Morgan Stanley CD - Third Federal Cleveland, OH		\$249,581	1.250%	246,276	13-Feb-15	13-Aug-18	1277	1.250%	\$245,000
Morgan Stanley CD - Goldman Sachs(Formerly GE Capital Financial)		\$255,701	1.750%	245,684	15-Aug-14	15-Aug-18	1461	1.750%	\$245,000
Morgan Stanley CD - Medallion Bank, Salt Lake City, UT		\$254,280	1.750%	246,374	08-Sep-14	07-Sep-18	1460	1.750%	\$245,000
Morgan Stanley CD - Comenity Bank, Salt Lake City, UT		\$255,088	1.900%	246,034	22-Oct-14	22-Oct-18	1461	1.900%	\$245,000
Morgan Stanley CD - ST BK of India CD New York, NY		\$262,157	2.000%	246,899	05-Dec-14	05-Dec-18	1461	2.000%	\$245,000
Morgan Stanley CD - bmw Salt Lake City, UT		\$249,431	1.400%	245,044	14-Dec-16	17-Dec-18	733	1.400%	\$245,000
Morgan Stanley CD - Ally BK Midvale, UT		\$249,668	1.450%	245,221	15-Dec-16	17-Dec-18	732	1.450%	\$245,000

**Alameda Municipal Power**  
**DETAIL OF INVESTMENT PORTFOLIO**  
**June 30, 2017**

Investment Description	Custodian	Stated Value	Interest Rate	Current Market Value	Date of Investment	Date of Maturity	Days Invested	Yield	Book Value Purchase Price
Morgan Stanley CD - Flushing BK NY CD, Flushing, NY		\$253,000	1.450%	245,902	15-Apr-15	15-Apr-19	1461	1.450%	\$245,000
Morgan Stanley CD -ST BK of India Chicago, IL		\$250,628	1.650%	245,541	28-May-15	28-May-19	1461	1.650%	\$245,000
Morgan Stanley CD - Barclays Bank Wilmington, DE		\$260,068	2.050%	247,122	30-Jul-14	30-Jul-19	1826	2.050%	\$245,000
Morgan Stanley CD - Salliemae BK, Salt Lake City, UT		\$260,068	2.050%	247,173	30-Jul-14	30-Jul-19	1826	2.050%	\$245,000
Morgan Stanley CD - American Exp Salt Lake City, UT		\$260,435	2.100%	247,830	21-Aug-14	21-Aug-19	1826	2.100%	\$245,000
Morgan Stanley CD - Synchrony BK (Formerly GE Capital Retail Bank) Draper UT, C		\$258,309	2.100%	247,129	22-Aug-14	22-Aug-19	1826	2.100%	\$245,000
Morgan Stanley CD - c1 Saint Petersburg, FL		\$255,129	1.500%	246,754	19-Mar-15	19-Sep-19	1645	1.500%	\$245,000
Morgan Stanley CD - Capital One Bank Glen Allen VA		\$260,802	2.150%	247,516	16-Oct-14	16-Oct-19	1826	2.150%	\$245,000
Morgan Stanley CD - Citi Salt Lake City, UT		\$266,560	2.200%	248,036	17-Dec-14	17-Dec-19	1826	2.200%	\$245,000
Morgan Stanley CD - Private Bank Chicago, IL		\$257,862	1.750%	247,151	27-Feb-15	27-Feb-20	1826	1.750%	\$245,000
Morgan Stanley CD - People United Bridgeport, CT		\$257,874	1.750%	246,806	04-Mar-15	04-Mar-20	1827	1.750%	\$245,000
Morgan Stanley CD - Enterprise Bank Allison Park, PA		\$258,202	1.700%	244,461	20-Mar-15	20-Mar-20	1827	1.700%	\$245,000
Morgan Stanley CD - Rollstone Bank Fitchburg, MA		\$257,874	1.750%	246,423	15-Apr-15	15-Apr-20	1827	1.750%	\$245,000
Morgan Stanley CD - First Business, Madison WI		\$262,162	1.750%	244,307	11-Jun-15	11-Jun-20	1827	1.750%	\$245,000
Morgan Stanley CD - Comenity Bank Jumbo (formerly World Finl Network Bank) C		\$213,807	2.150%	202,254	17-Jun-15	17-Jun-20	1827	2.150%	\$200,000
Morgan Stanley CD - 1st Merit Bk, Akron, OH		\$262,143	2.000%	247,514	23-Jul-15	23-Jul-20	1827	2.000%	\$245,000
Morgan Stanley CD - Capital One NA Mclean, VA		\$190,196	2.300%	178,087	23-Sep-15	23-Sep-20	1827	2.300%	\$176,000
Total		<u>\$8,297,870</u>		<u>\$8,008,519</u>		average days 1461		1.665%	<u>\$7,971,000</u>
<b>Grand Total</b>		<b><u>\$54,777,396</u></b>		<b><u>\$54,488,045</u></b>		<b>Weighted Average Interest Rate</b>		<b>1.014%</b>	<b><u>\$54,450,526</u></b>

(1) LAIF & MS are based on stated value.

Stated value = the total value at maturity date

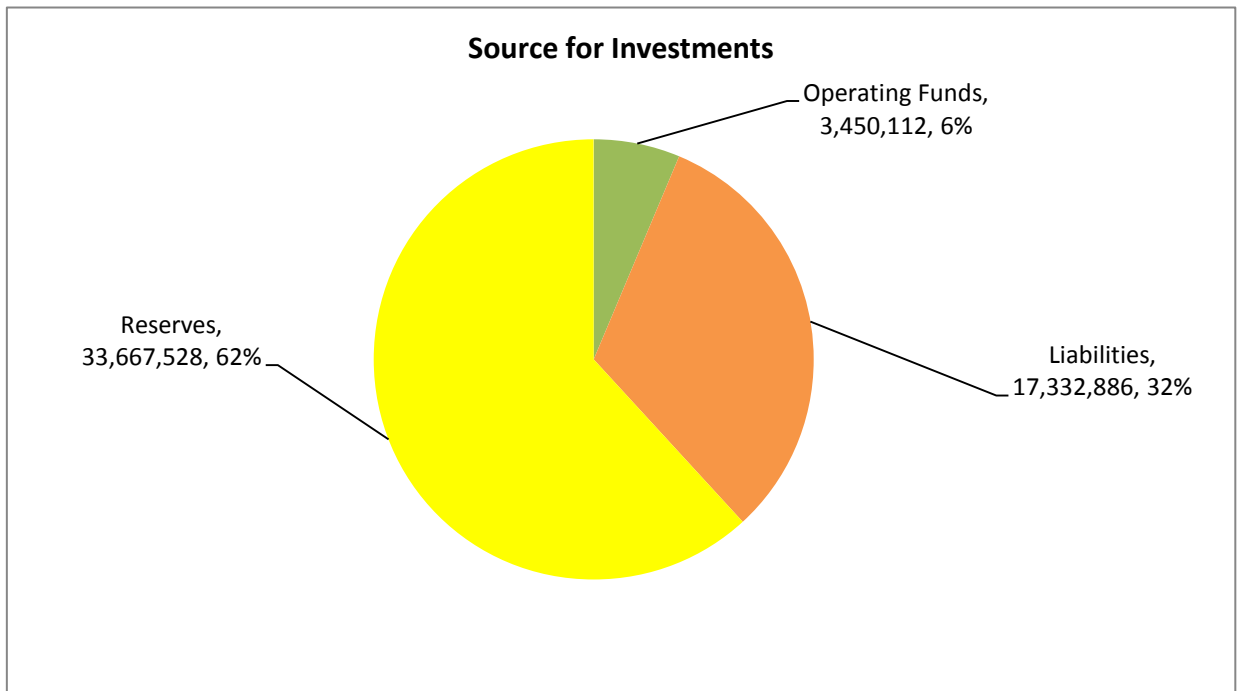
(2) Portfolio details are based on available third-party statements as of 05-31-17

**Alameda Municipal Power  
Supplemental Schedule  
Sources of Investments & Investment Portfolio  
June 30, 2017**

**SOURCES FOR INVESTMENTS**

	<u>Account*</u>	
<b><u>Operating Funds</u></b>		\$3,450,112
<b><u>Liabilities</u></b>		
Balancing Account	10 3401	\$17,222,897
Clean Future Fund	10 3147	\$100,439
Donations to AUSD	10 3151	\$9,550
<b><u>Reserves For Special Purposes</u></b>		
Insurance Reserve Special Fund	10 2107	\$1,200,000
Underground Fund Carryforward 7/1/2016	10 2111	7,805,943
FY 2017 Undergrounding Funding	10 2111	1,041,333
Underground Special Fund Used in FY 2017	10 2111	(34,416)
Net - Underground Fund Available (Deficiency)		\$8,812,860
Solar PV Rebate Reserve	10 2112	\$249,678
REC Net Revenue Reserve	10 2113	\$21,440,418
Cap & Trade Net Revenue Reserve	10 2114	\$1,964,572
Total Sources For Investments		<u><u>\$54,450,526</u></u>

\*General Ledger Balance 5-31-2017



CITY OF ALAMEDA  
ALAMEDA MUNICIPAL POWER

RESOLUTION NO. 5098

**APPROVING AN INVESTMENT POLICY FOR  
FISCAL YEAR 2017 AND DELEGATING INVESTMENT AUTHORITY  
PER THE INVESTMENT POLICY TO THE GENERAL MANAGER  
OF ALAMEDA MUNICIPAL POWER OR HIS DESIGNEE**

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WHEREAS, it is the objective of the Public Utilities Board (Board) to maintain adequate cash availability in AMP's operating accounts and to strive for maximum yield on invested funds not required for immediate expenditure while ensuring that the principal invested is protected from loss; and,

WHEREAS, the Board hereby finds that the following policy ensures that funds not required for immediate expenditure will be invested according to governing provisions of law (Section 53600 et. seq. of the State of California Government Code) and this policy.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves the following Investment Policy:

A. Delegation of Authority

Pursuant to Article XII, Sec.12-3(F) of the City of Alameda Charter, the Board has been assigned the investment authority for Alameda Municipal Power (AMP). This authority is hereby delegated to the General Manager of AMP, or his designee, subject to all of the constraints inherent in, or implied by, the Policy provisions set forth in this document via sections B through F below.

B. Objectives

A basic premise underlying AMP's Investment Policy shall be to ensure that sufficient operating funds are always available. Through projected cash flow analysis, staff shall maintain adequate cash availability and judiciously invest all funds not required for immediate expenditure. AMP's cash management system shall be designed to monitor and forecast expenditures, thus enabling staff to prudently invest funds.

Staff shall actively manage AMP's investment portfolio in order to take advantage of changing economic conditions. Staff shall endeavor to obtain the highest yield available, as long as investments meet the criteria established for safety of principal and liquidity. Staff shall also diversify the investment portfolio in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

C. Investment Criteria

AMP's Investment Policy does not address investments of debt proceeds held by bond trustees that are governed by provisions of debt agreements. AMP's Investment Policy does not address funds held in operating accounts that are governed by the provisions of such bank account agreements. Rather, the policy addresses the general provisions and AMP's interpretations of the California Government Code for investments.

The standard of prudence to be used by investment officers shall be the "prudent person rule", and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence will be relieved of personal liability for an individual security credit risk or market price change, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

The criteria for selecting investments shall be, in order of priority:

- Safety of principal
- Liquidity
- Yield

In general, AMP shall manage its investments to 1) ensure meeting the above criteria, 2) invest in a variety of instruments to lessen risk by diversifying AMP's portfolio, and 3) prohibit investment in a company that receives more than 15% of gross revenues from the production or manufacture of cigarettes, alcohol, or gambling products.

The Government Code of the State of California authorizes investments in the following instruments with the maximum proportion of the total portfolio as applicable:

Investment Type *	Maximum % or \$	Maximum Maturity	Minimum Required Rating *
Bank/Time Deposits	None	5 years	N/A
U.S. Treasuries	None	5 years	N/A
U.S. Agencies	75% (25% for one issuer)	5 years	N/A
Money Market Funds	20% (10% with one mutual fund)	N/A	N/A
Bankers Acceptances	30% (5% with one bank)	180 days	A1/P1
Commercial Paper	25% (5% with one firm)	270 days	A1/P1
Negotiable CDs	30% (5% with one bank)	5 years	A < 1 year AA for 1-5 years
LAIF	Per State Statute (\$50 million as of 5/1/11)	N/A	N/A



G. Preference

Where all other factors are equal, as a final consideration, the following preferences will be given in order:

1. Institutions principally located in the City;
2. Institutions principally located in the County;
3. Institutions principally located in the State; and
4. Institutions principally located in the United States.

H. Reports of Investment Activities

The General Manager, or his designee, shall report monthly to the Public Utilities Board on the status of Alameda Municipal Power's investment portfolio. This report shall include the type of investment, issuer, investment maturity date, par value and dollar amount invested on all securities, current market value information as of the date of the report, source of the market value, and the yields on all investments.

## Glossary

1. **US Government Treasury Bills and Notes**
2. **US Government Sponsored Enterprise Debt** (GSE's) (known as Agencies)
3. **Certificates of Deposit** (non-negotiable) (CDs) – Private CD placement services by brokerage firms or local agencies. The investment policy allows for the use of a placement service called the Certificate of Deposit Account Registry Service (CDARS), which acts as the master custodian for the placement of CDs. Through the use of this placement service, local banks that work with CDARS place one investment by AMP and divide the deposit into individual CDs not to exceed \$250,000, so that each individual CD is fully insured by the FDIC.
4. **Bankers' Acceptance** (BA)
5. **Commercial Paper** – Prime commercial paper with an A1/P1 rating as provided for by a nationally recognized statistical-rating organization (NRSRO). Purchases must be limited to corporations organized and operating within the United States, and as a practical matter generally only those corporations operating within the State of California, having total assets in excess of \$500 million, and having an "A" or higher rating for the issuer's debentures, other than commercial paper (as-provided by Moody's or Standard and Poor's rating services). In addition, purchases may not represent more than ten percent (10%) of the outstanding paper of an issuing corporation.
6. **State of California Local Agency Investment Fund** (LAIF)
7. **CalTrust**
8. **Domestic money market mutual funds** – These must be registered with the Federal Securities and Exchange Commission (SEC), have over \$500 million in total assets, be rated in the highest rating category by at least two nationally recognized rating services, and only invest in:
  - a. U.S. Government or federal agency securities and repurchase agreements,
  - b. Tax exempt obligations or other investment instruments specifically included in the local investment policy
9. **California Asset Management Program** (CAMP)
10. **Negotiable Certificates of Deposit** – must be issued by a nationally or state chartered bank or savings and loan association, or by a state licensed branch of a foreign bank.

11. **Medium Term Corporate Notes** – Notes issued by corporations doing business in the United States.

If a corporate note is downgraded by an NRSRO to a level below the quality required by the investment policy, it shall be AMP's policy to review the credit situation and make a determination as to whether to sell or retain such a corporate note in the portfolio.

- a. If a security is downgraded two grades below the level required by the investment policy, the security shall be sold immediately.
- b. If a security is downgraded one grade below the level required by the investment policy and matures within 6 months, the security will be held to maturity. If a decision is made to retain the security in the portfolio, its presence in the portfolio will be monitored and reported in the monthly treasurer report.

12. **Municipal Obligations** – must be rated "A" or better by a nationally recognized rating agency. Municipal Obligations include the following:

- a. Registered state warrants or treasury notes or bonds of the State of California and bonds, notes, warrants, or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by the state or local agency or by a department, board, agency, or authority of the state or local agency.
- b. Registered treasury notes or bonds of any of the 49 United States in addition to the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to the State of California.

13. **Suprationals** – Must be rated "AA" or better by a nationally recognized rating agency and in U.S. dollar denominated senior unsecured unsubordinated obligations issued by the International Bank for Reconstruction and Development, International Finance Corporation, or the Inter-American Development Bank.

14. **Asset-Backed Securities (ABS)** – Security must be rated "AA" or better and the underlying issuer's debt must be rate "A" or better by a nationally recognized rating agency.

15. **Prohibited Investments** – AMP will not enter into repurchase or reverse repurchase agreements, mortgage backed securities, nor trade in options or future contracts. In accordance with the Government Code Section 53601.6, no investment shall be made by AMP in any of the following instruments: inverse floaters, range notes, interest only strips derived from a pool of mortgages (i.e. Collateralized Mortgage Obligations), and any security that could result in zero interest accrual, such as straight floaters or floating rate notes.

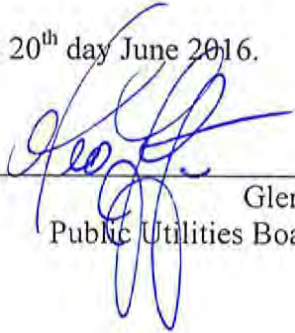
THEREFORE, BE IT FURTHER RESOLVED that the provision of this Resolution shall supersede any other resolution in conflict herewith.

AYES: City Manager Keimach, President Sutter, Commissioners Giutini and McCormick  
NOES: None  
Absent: Commissioner Deaton

IN WITNESS WHEREOF, I have set my hand forth on this 20<sup>th</sup> day June 2016.

DATE

6/21/16

  
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Glenn O. Steiger  
Public Utilities Board Secretary