

STAFF REPORT

City of Lancaster

CC 4
12/08/09
MVB

Date: December 8, 2009

To: Mayor Parris and City Council Members

From: Barbara Boswell, Finance Director

Subject: **Monthly Report of Investments – September 2009**

Recommendation:

Accept and approve the September 30, 2009 Monthly Report of Investments as submitted.

Fiscal Impact:

None

Background:

Each month, the Finance Department prepares a report listing the investments for all the separate entities under jurisdiction of the City as identified in the City’s Comprehensive Annual Financial Report. These component units include: the City of Lancaster, Lancaster Redevelopment Agency, and Lancaster Housing Authority.

Portfolio Recap

September portfolio transactions:

Purchases:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal Home Loan (FHLB)	09/08/2011	1.00%	\$2,000,000
Federal Home Loan (FNMA)	09/28/2012	2.00%	\$2,000,000

Sold, Matured or Called:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal Home Loan Mtg Corp	09/01/2009	2.88%	\$2,000,000
Federal Home Loan Mtg Corp	09/22/2009	4.88%	\$1,500,000

Yields:

	<u>September 2009</u>	<u>August 2009</u>
Total Portfolio	1.486%	1.818%
Wells Fargo Sweep Account	0.010%	0.010%
Local Agency Investment Fund	0.750%	0.925%
Total Portfolio Balance:	\$142,919,199	\$117,150,339

The City had two securities mature during this period and purchased two additional securities. The portfolio balance is higher due to the receipt of bond proceeds in the amount of \$31,434,479. Information received since the Federal Open Market Committee met in August suggests that economic activity has picked up following its severe downturn. Conditions in financial markets have improved further, and activity in the housing sector has increased. Household spending seems to be stabilizing, but remains constrained by ongoing job losses, sluggish income growth, lower housing wealth, and tight credit. Businesses are still cutting back on fixed investment and staffing, though at a slower pace; they continue to make progress in bringing inventory stocks into better alignment with sales. Although economic activity is likely to remain weak for a time, the Committee anticipates that policy actions to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces will support a strengthening of economic growth and a gradual return to higher levels of resource utilization in a context of price stability. In these circumstances, the Federal Reserve will continue to employ a wide range of tools to promote economic recovery and to preserve price stability. The Committee will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

The City's temporary idle cash, those funds that are not immediately needed to pay current bills and not governed by bond indentures or bond resolutions, is invested in accordance with the City's adopted Investment Policy. This policy is reviewed annually by the City Council, with the latest policy adopted October 13, 2009 by Resolution No. 09-89.

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible within the guidelines of this Investment Policy. The City attempts to achieve the highest yield obtainable through a diversified portfolio only after meeting the criteria established for safety and liquidity in that order. The principal investment objectives of the City are:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.
5. Compliance with the City's Municipal Code and with all applicable City resolutions, California statutes and Federal regulations.

The City's portfolio is a short-term and intermediate-term fixed income portfolio. The maximum maturity of any investment is 5 years, with consideration of anticipated cash flow requirements and known future liabilities. The City contracts with an investment advisory service (MBIA Asset Management Group) to assist in the effort to maximize the return on the City portfolio. The City investments include publicly traded Treasury notes, Treasury Bills, Federal Agency Investments, Time Deposits, and Local Agency Investment Fund (LAIF) under the auspices of the State Treasurer for investment. Funds invested in the LAIF are available within 24 hours, and other investments are available upon maturity at full face value. These investments enable the City and Agency to meet its expenditure requirements for the next six months, as required by state law.

The City's investments are governed by Sections 53600 et. seq. of the California Government Code. Additional limitations have been placed on the City's authorized investments by the

Investment Policy (a copy is available in the Finance Department or from the City Clerk), and all investments listed on the attached report adhere to these limitations.

ME:pg

Attachment:

Monthly Report of Investments