

STAFF REPORT

City of Lancaster

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10/23/12
MVB

Date: October 23, 2012

To: Mayor Parris and City Council Members

From: Barbara Boswell, Finance Director

Subject: **Monthly Report of Investments – September 2012**

Recommendation:

Accept and approve the September 2012, Monthly Report of Investments as submitted.

Fiscal Impact:

None

Background:

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

Portfolio Recap

September portfolio transactions:

Purchased

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal Home Loan (FHLB)	09/09/2016	0.60%	\$1,600,000
Federal National Mortgage (FNMA)	09/27/2017	1.01%	\$2,000,000

Sold

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal National Mortgage (FNMA)	09/14/2012	1.05%	\$1,550,000
Federal National Mortgage (FNMA)	09/28/2012	1.00%	\$2,000,000

Yields:

	<u>September 2012</u>	<u>August 2012</u>
Total Portfolio	0.669%	0.664%
Wells Fargo Sweep Account	0.010%	0.010%
Local Agency Investment Fund	0.348%	0.377%

Total Portfolio Balance:	\$67,561,452	\$74,429,061
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The portfolio balance is lower due to various large expenditures which includes payments made to C. A. Rasmussen in the amount of \$993,112.90 (Capital project 12-002 Pavement Management), Security Paving in the amount of \$655,959.26 (Capital project 10-001 State Route 14 and Avenue I Improvements), U S Bank in the amount of \$422,775.32 (Debt service payment for CFD 91-2-99) Security Paving in the amount of \$294,694.07 (Capital project 10-001 State Route 14 and Avenue I Improvements) and Southern California Edison in the amount of \$263,113.46 (August 2012 street and highway lighting).

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 25, 2011, by Resolution No. 11-70.

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 (Cutwater Asset Management) to assist in the effort to maximize the return on the City portfolio. The City's 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 requirements 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 requirements.

NR:jed

Attachment:

Monthly Report of Investments