

**STAFF REPORT**  
**City of Lancaster**

CC 4
12/11/07
MVB

Date: December 11, 2007

To: Mayor Hearn and City Council Members

From: Barbara Boswell, Finance Director

Subject: **Monthly Report of Investments – October 2007**

---

**Recommendation:**

Accept and approve the October 31, 2007 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

October portfolio transactions:

Purchases:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal National Mtg Assoc	12/09/2011	4.96%	\$1,000,000
Federal Home Loan Mtg Corp	10/15/2012	5.15%	\$2,400,000

Sold, Matured or Called:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Treasury Note	10/31/2007	4.69%	\$1,000,000
Federal Home Loan Mtg Corp	10/05/2007	4.79%	\$2,000,000

Yields:

	<u>October 2007</u>	<u>September 2007</u>
Total Portfolio	4.985%	5.077%
Wells Fargo Sweep Account	4.067%	0.000%
Local Agency Investment Fund	5.137%	5.231%

Total Portfolio Balance: \$116,980,060    \$127,244,541

The City had two securities mature during this period and purchased two additional securities.

The total portfolio balance is slightly lower due to various large payments such as payments to AVEK in the amount of \$2,583,218 (pass thru/debt service), STG Regency in the amount of \$1,831,716 (drainage fee refund), LA County Sheriff in the amount of \$1,518,252 (contract services and special events), LA Co. Dept. of Public Works in the amount of \$595,200 (50% reimbursement for traffic signal), Radich Construction in the amount of \$647,141 (storm drain capital project), and various other payments for existing capital projects. The Federal Open Market Committee (FOMC) cut the federal funds rate by 25 basis points to 4.5 percent and the discount rate by 25 basis points to 5 percent at its October 31<sup>st</sup> meeting.

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 December 13, 2005 by Resolution No. 05-264.

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.