

STAFF REPORT

City of Lancaster

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07/08/08
MVB

Date: July 8, 2008

To: Mayor Parris and City Council Members

From: Barbara Boswell, Finance Director

Subject: **Monthly Report of Investments – May 2008**

Recommendation:

Accept and approve the May 31, 2008 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

May portfolio transactions:

Purchases:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal Home Loan Mtg Corp	05/12/2010	3.34%	\$2,000,000
Federal Home Loan (FHLB)	06/10/2011	3.56%	\$1,000,000
GE Capital (Corporate)	10/21/2010	3.72%	\$1,500,000
Metro. Life Global Fund (Corporate)	07/30/2009	4.00%	\$1,000,000
Wells Fargo (Corporate)	01/15/2010	3.70%	\$1,000,000

Sold, Matured or Called:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
GE Capital (Corporate)	05/01/2008	5.05%	\$1,000,000
Federal Home Loan (FNMA)	05/02/2008	5.15%	\$2,000,000
U. S. Treasury Note	05/15/2008	5.05%	\$1,000,000
Federal Home Loan (FHLB)	05/15/2008	4.93%	\$1,000,000

Yields:

	<u>May 2008</u>	<u>April 2008</u>
Total Portfolio	2.927%	3.471%
Wells Fargo Sweep Account	1.546%	1.231%
Local Agency Investment Fund	3.072%	3.400%
Total Portfolio Balance:	\$186,215,941	\$158,306,963

The City had four securities mature during this period and purchased 5 additional securities. The total portfolio balance is higher due to the receipt of the County of Los Angeles Property Tax payment in the amount of \$11,547,420, the County of Los Angeles tax increment payment in the amount of \$3,387,577, and the State of California Sales Tax payment in the amount of \$1,196,300. The Federal Open Market Committee has not met again since its April 30th meeting, at which time the FOMC lowered the fed funds rate by 25 basis points to 2 percent (the lowest rate since 2004). Many analysts believe that this will be the last rate cut as the Fed will monitor the impact of the \$110 billion tax rebate checks.

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 11, 2007 by Resolution No. 07-204.

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.

Attachment:

Monthly Report of Investments – May 2008 (Available for review in the City Clerk's Office)