

STAFF REPORT

City of Lancaster

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09/09/08
MVB

Date: September 9, 2008

To: Mayor Parris and City Council Members

From: Barbara Boswell, Finance Director

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

Recommendation:

Accept and approve the July 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

July portfolio transactions:

Purchases:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal Home Loan Mtg Corp	06/09/2011	4.17%	\$1,000,000
Federal Farm Credit Bureau	05/19/2011	3.53%	\$1,625,000
Federal Farm Credit Bureau	07/28/2011	3.96%	\$2,000,000

Sold, Matured or Called:

<u>Description</u>	<u>Maturity</u>	<u>Yield</u>	<u>Amount</u>
Federal Farm Credit Bureau	07/03/2008	5.27%	\$1,500,000
Federal Home Loan Mtg Corp	07/23/2008	5.30%	\$1,000,000

Yields:

	<u>July 2008</u>	<u>June 2008</u>
Total Portfolio	3.208%	4.152%
Wells Fargo Sweep Account	1.427%	1.546%
Local Agency Investment Fund	2.787%	2.894%
Total Portfolio Balance:	\$155,657,635	\$164,850,350

The City had two securities mature during this period and purchased three additional securities. The total portfolio balance is slightly lower due to various large payments such as payments to US Bank in the amount of \$6,119,985 (debt service), LA Co Sheriff's Dept. in the amount of \$1,412,341 (contract services), Antelope Valley Escrow Co. in the amount of \$780,905

(purchase of real estate properties), various other payments for capital projects and for the purchase of real estate properties.

At their August 5, 2008 meeting, the Federal Open Market Committee decided to keep the federal funds rate at 2 percent. Although downside risks to growth remain, the upside risks to inflation are also of significant concern to the Committee. The Committee will continue to monitor economic and financial developments and will act as needed to promote sustainable economic growth and price stability.

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 maximizing 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 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.

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Attachment:
Monthly Report of Investments