



**City Of Boulder**  
*Finance Department*

TO: The Mayor and Members of City Council  
Jane S. Brautigam, City Manager

FROM: Bob Eichen, Director of Finance and Record

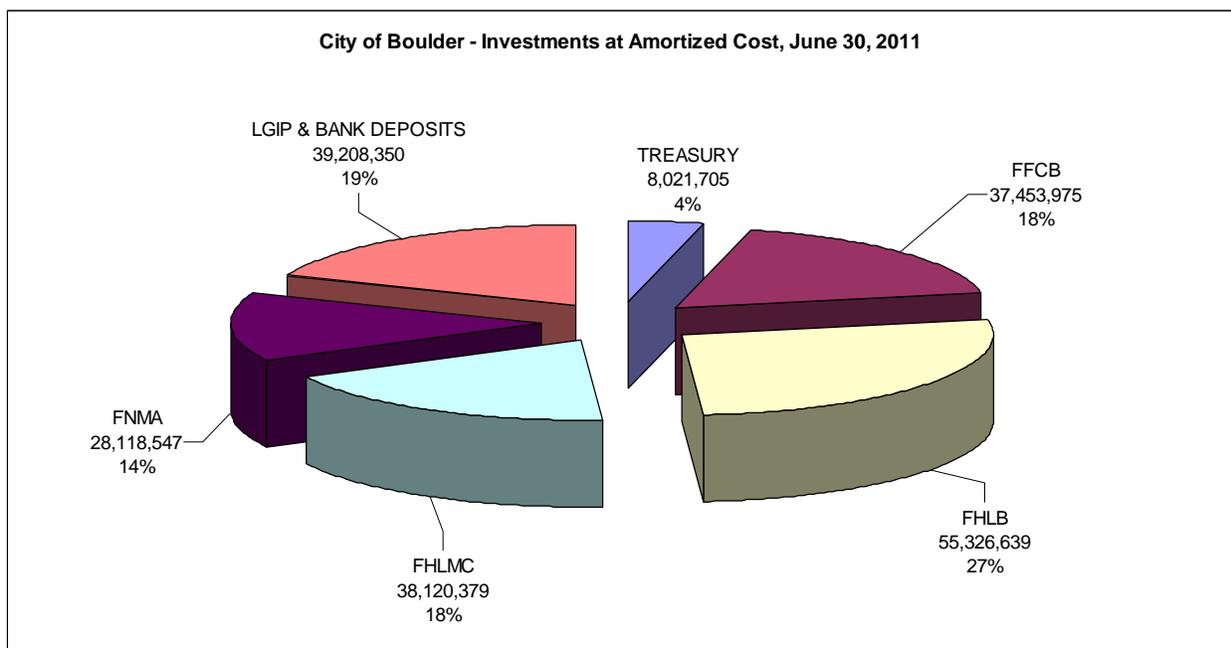
SUBJECT: Investment Performance as of June 30, 2011

DATE: July 18, 2011

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This report is for City Council information only and requires no action by City Council.

- This report is submitted in compliance with the City's Investment Ordinance. (Chapter 2-10, Investment of City Funds, Boulder Revised Code 1981).
- Allowable investments for the city are noted under the City's Ordinance. All investments currently held met those requirements as of June 30, 2011.
- The weighted average return for the portfolio as of June 30, 2011 was 1.66%, exceeding the six month trailing average of the 2-year Treasury note by 103 basis points.
- The portfolio's weighted average maturity was 1.25 years.
- The portfolio totaled \$206.2 million in cash and investments as shown:



**Background Information: The investment of City funds is guided by the Boulder Revised Code 1981, Chapter 2-10, Investment of City Funds.**

The investment objectives as specified in the Ordinance, are safety, liquidity and yield as further explained below.

- The primary objective is safety of investments, including preservation and protection of capital. This objective reduces the risk to which the portfolio can be subjected. Speculation is not acceptable. To assist in compliance with this objective, investments are diversified by type and maturity horizons. The current weighted maturity average of the city's portfolio is 1.25 years, while the ordinance allows up to a five year weighted maturity average.
- The second objective is to maintain adequate liquidity to meet the daily cash needs of the City. As of June 30, 2011, 19% of the portfolio was held in cash and investments maturing within a 30 day period, due to higher than normal cash outflows during the months of July and August as described below:
  - On May 24<sup>th</sup>, council approved a \$3.5 million payment to the Boulder Valley School District. These funds will be used to renovate the Mapleton Building. When renovations are complete, the Mapleton Building will operate as an education facility for at least 20 years. These funds were remitted on July 15<sup>th</sup>.
  - Over \$8 million in debt service payments are due by August 15<sup>th</sup>.
  - A \$4 million dollar Federal Home Loan Bank was purchased on July 1<sup>st</sup>.
- After the above transactions occur, \$23.3 million, or 14% of the portfolio will be held in cash and investments maturing within a 30 day period.
- Yield is the third objective. The City strives to maximize return, while minimizing the risks of the market. The City's benchmark is the six month trailing average on the 2-year Treasury, or 63 basis points as of June 30, 2011.

The Federal Open Market Committee cut the Fed Funds rate to an all time low on December 16, 2008. The official rate is a range from 0 to 25 basis points. This rate remains unchanged as of June 30, 2011. The target rate is not expected to increase until mid 2012.

**Safety and Liquidity**

As stated above, the primary objective of the city's investment portfolio is preservation and protection of the investment principal. The secondary objective is to maintain adequate liquidity to meet the city's ongoing cash needs. Continuing bleak market conditions compounded with the uncertainty over the nation's debt ceiling have made these objectives even more significant. As of the date of this report and throughout the market uncertainty, the city has continued to meet its ongoing cash needs and has not realized any investment losses.