



City Of Boulder
Finance Department

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

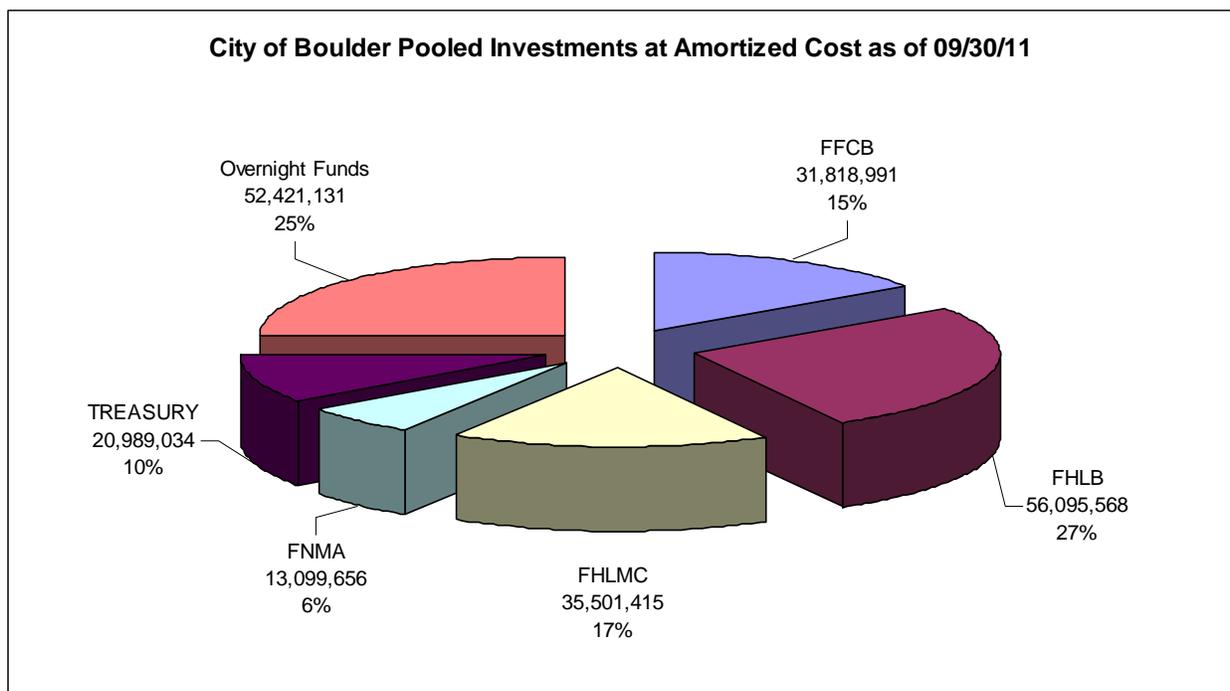
FROM: Bob Eichen, Chief Financial Officer

SUBJECT: Investment Performance as of September 30, 2011

DATE: October 18, 2011

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 September 30, 2011.
- The weighted average return for the portfolio as of September 30, 2011 was 1.41%, exceeding the six month trailing average of the 2-year Treasury note by 99 basis points.
- The portfolio's weighted average maturity was 1.39 years.
- The portfolio totaled \$210 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 1.39 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 September 30, 2011, 25% of the portfolio was held in cash and investments maturing within a 30 day period. This cash balance is higher than normal due to two unprecedented events, the debt ceiling crises and the downgrade by Standard and Poor of our nation's credit rating from AAA to AA+. These events have delayed purchasing longer term investments until September, when \$13 million in treasuries were purchased. Treasuries are explicitly guaranteed by the U.S. and are not subject to rating requirements by either the Colorado State Statutes or the City's ordinance. Furthermore, the City's ordinance does not state a ratings requirement for Government Sponsored Enterprises, such as FNMA, FHLMC, FFCB or FHLB. Purchasing of longer term investments will resume during the last quarter of 2011.
- 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 42 basis points as of September 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 September 30, 2011. The target rate is not expected to increase until 2013.

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 and the recent downgrade of our nation's credit rating by Standard and Poor's 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.