City Of Boulder
Finance Department

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

FROM: Bob Eichem, Chief Financial Officer

SUBJECT: Investment Performance as of September 30, 2013

DATE: October 26, 2013

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

We have established a separate portfolio for the Capital Improvement Bond proceeds of over $54 million, which were received on March 22, 2012. This will facilitate arbitrage calculations in the future. Performance results for the invested Capital Bond proceeds will be summarized in Section 2 of this report.

Section 1 – Regular Pooled Portfolio Results

- This report is submitted in compliance with the City's Investment Ordinance. (Chapter 2-10, Investment of City Funds, Boulder Revised Code 1981).

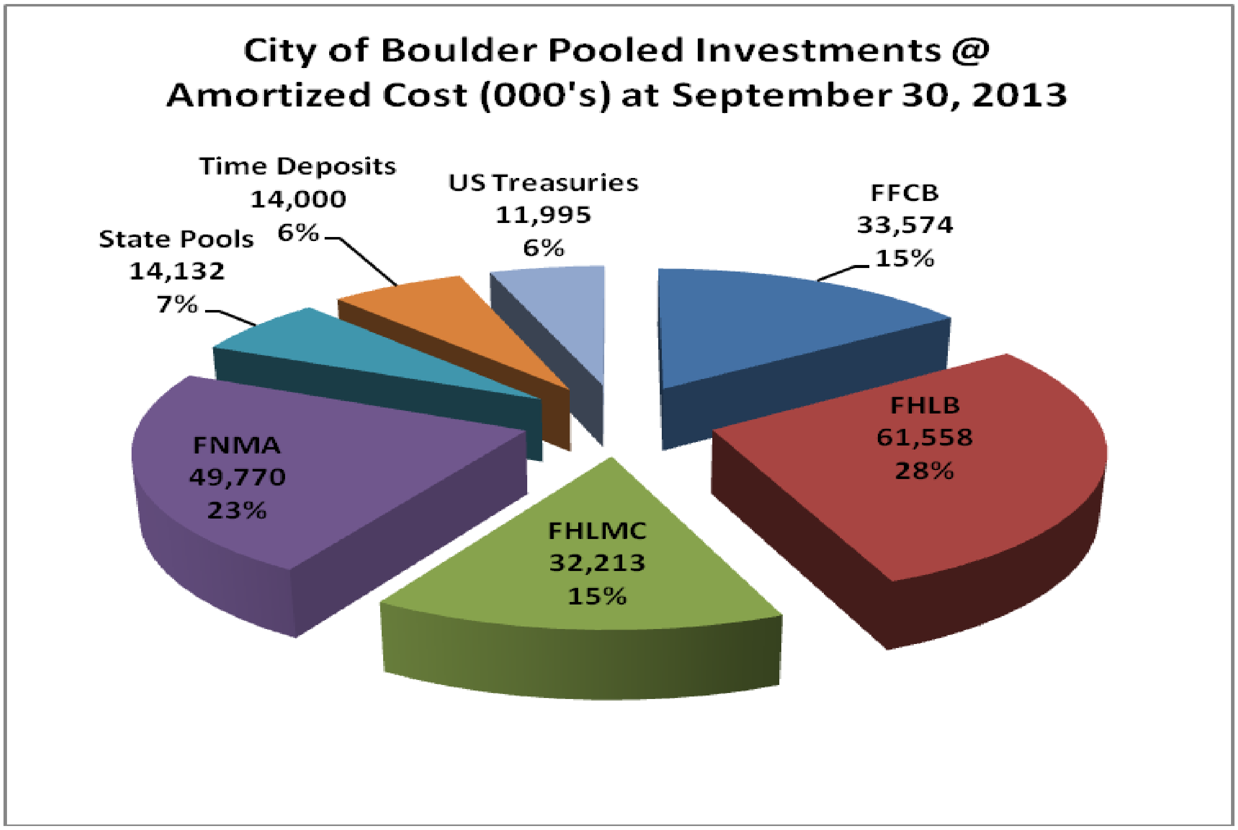
- Allowable investments for the city are noted under the City's Ordinance. All investments currently held met those requirements as of September 30, 2013.

- The weighted average return for the portfolio as of September 30, 2013 was .70%, exceeding the six month trailing average of the 2-year Treasury note by .38%.

- The portfolio's weighted average maturity was 1.32 years. Extra liquidity will be needed for the flood recovery.

- As of September 30, 2013, the city's portfolio has no direct investments in the oil and gas industry.

- The portfolio totaled $217.25 million in overnight pools and investments (see following page):



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 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 1.32 years, while the ordinance allows up to a five year weighted maturity average.

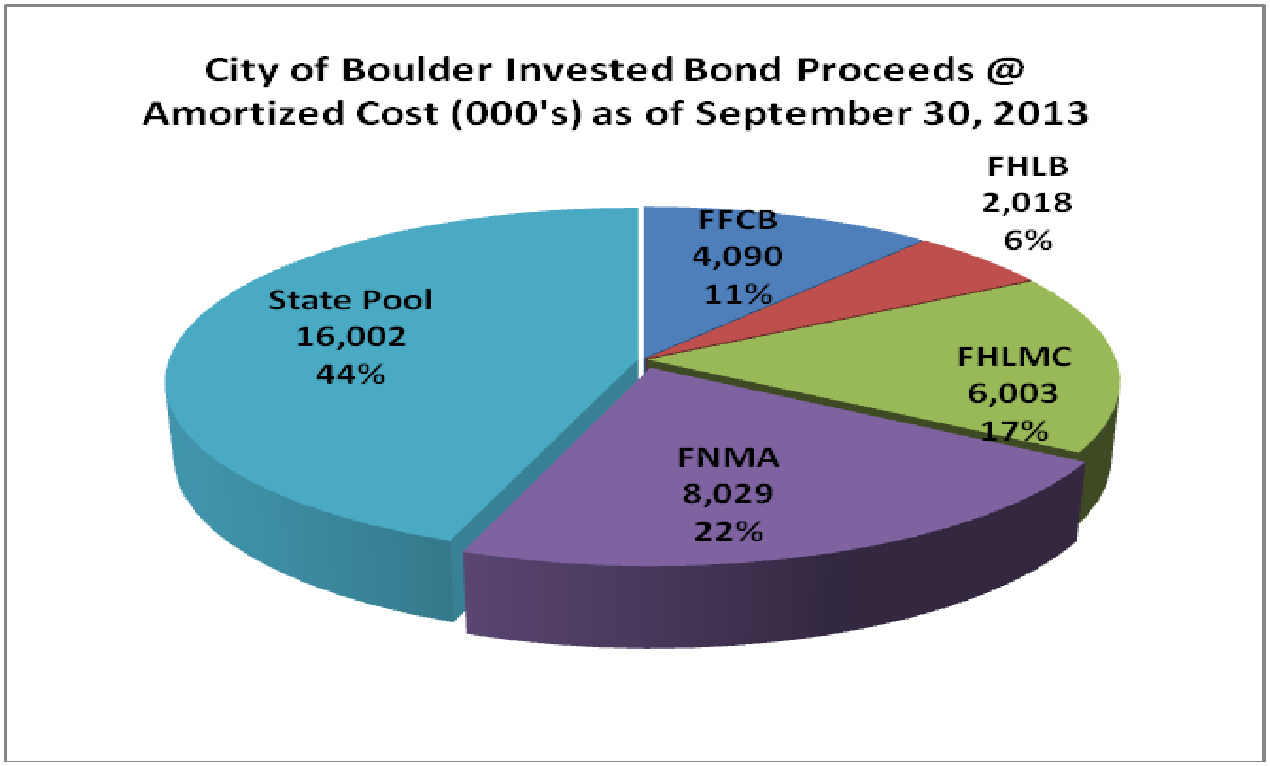
- The second objective is to maintain adequate liquidity to meet the daily cash needs of the City. As of September 30, 2013, 7% of the portfolio was held in state pools, exceeding the ordinance requirement of 5%. Extra liquidity will be needed for the flood recovery.

- Yield is the third objective. The City strives to maximize return, while minimizing the risks of the market. As of September 30, 2013, the return on the pooled investment portfolio was .70% Our current benchmark is the six month trailing average on the 2-year Treasury, which was 0.32%, as of September 30, 2013. The objective was exceeded by 0.38%.

- The Federal Open Market Committee cut the Fed Funds rate to an all time low on March 16, 2008. The official rate is a range from 0 to 25 basis points. This rate remains unchanged as of September 30, 2013. The target rate is expected to increase in 2015.

Section 2 - Capital Improvement Bond Proceeds

Proceeds of over $54 million were received on March 22, 2012. As of September 30, 2013 the remaining $34 million was invested as shown in the graph below:



All proceeds have been invested in accordance with the **Boulder Revised Code 1981, Chapter 2-10, <u>Investment of City Funds</u>.**

As of September 30, 2013, all of the bond proceeds were invested to meet the projected cash needs through January 2015. At this time we are not anticipating any more investment purchases for this portfolio.

- For safety, the weighted average maturity of this portfolio is 84 days and all investments purchased are authorized by the city's ordinance.

- The liquidity is currently 44%, which exceeds the 5% ordinance requirement.

- The investment committee decided that the yield benchmark for the invested bond proceeds should be the one year Treasury note. This decision was made based upon the average maturity of 333 days as of the June 30, 2012 report. The invested bond proceeds returned .26% as of September 30th, while the one year treasury yields averaged .13% over the prior six months. The benchmark was exceeded by .13% at the end of the 3rd quarter.