



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 March 31, 2012

DATE: April 17, 2012

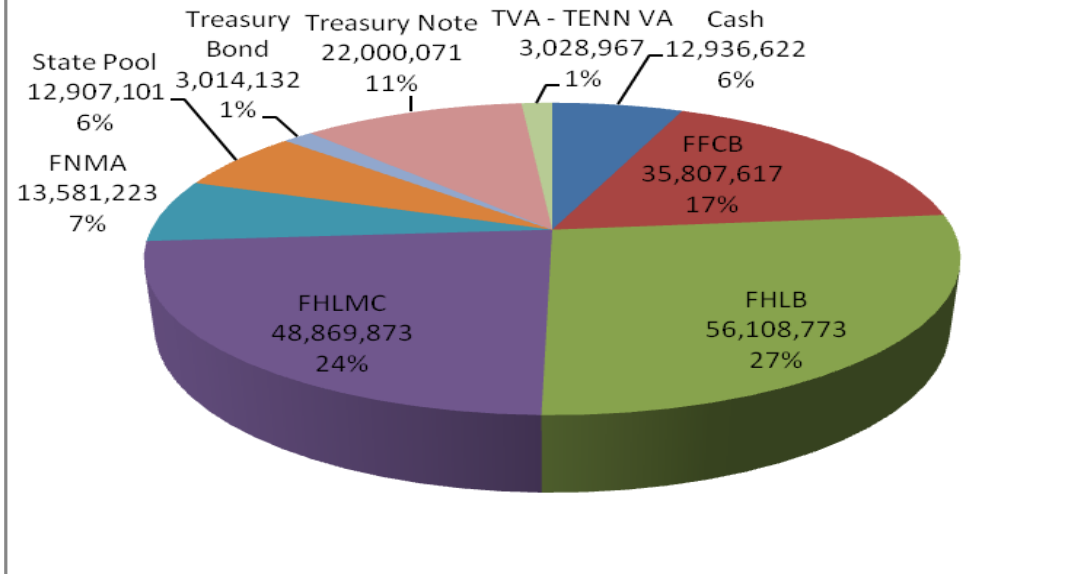
This report is for City Council information only and requires no action by City Council.

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 March 31, 2012.
- The weighted average return for the portfolio as of March 31, 2012 was 1.14%, exceeding the six month trailing average of the 2-year Treasury note by 86 basis points.
- The portfolio’s weighted average maturity was 1.34 years.
- The portfolio totaled \$208 million in cash and investments (see following page):

Pooled Investments, Amortized Cost as of March 31, 2012



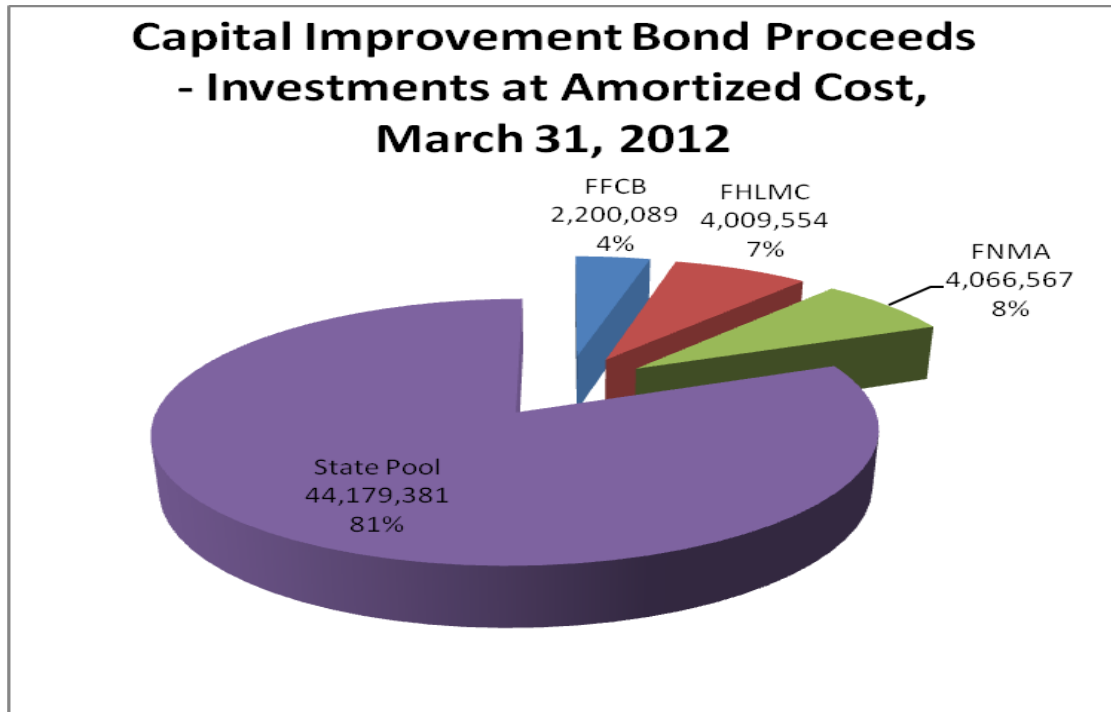
Background Information: The investment of City funds is guided by the Boulder Revised Code 1981, Chapter 2-10, Investment of City Funds.

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 1.34 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 March 31, 2012, 12% of the portfolio was 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 return for the 1st quarter was 1.14%. The City's benchmark is the six month trailing average on the 2-year Treasury, which was 0.27%, as of March 31, 2012. The objective was exceeded by 0.87%.
- 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 March 31, 2012. The target rate is not expected to increase until 2014.

Section 2 - Capital Improvement Bond Proceeds

Proceeds of over \$54 million were received on March 22, 2012. As of March 31, 2012 they were invested as shown in the graph below:



On March 31, 2012, the City deposited over \$54 million into CSAFE, a local government investment pool. The investment committee expects to have up to \$45 million invested in agencies through the first quarter of 2015. To ensure liquidity, \$10 million will be left with CSAFE. All proceeds have been invested in accordance with the **Boulder Revised Code 1981, Chapter 2-10, Investment of City Funds**.

As of March 31, 2012 the objectives for safety, liquidity have been met. The yield objective should be met after \$45 in remaining proceeds is invested through January 2015:

- For safety, the weighted average maturity of this portfolio is 138 days and all investments purchased are authorized in the city's ordinance.
- Liquidity will remain at 20%, which exceeds the 5% ordinance requirement.
- As of March 31, 2012, the yield on these invested proceeds is 0.24 percent or 24 basis points. This yield doesn't meet the benchmark by 0.3 percent.