



COUNCIL AGENDA REPORT

City of Anaheim OFFICE OF THE CITY TREASURER

DATE: OCTOBER 27, 2009
FROM: OFFICE OF THE CITY TREASURER
SUBJECT: INVESTMENT PORTFOLIO REPORT – SEPTEMBER 2009

ATTACHMENT (Y/N): YES **ITEM #**

RECOMMENDATION:

That the City Council, by Motion, approve the Investment Portfolio Report for September 2009.

DISCUSSION:

This is the investment report for the City's general pool for the month ending September 30, 2009. The report is provided to ensure that the City Council is informed as to the investment activities and fulfills the reporting requirements of the City's adopted investment policy.

COMPLIANCE:

All investment transactions were executed in accordance with the California Government Code and the City's Investment Policy. There is sufficient liquidity to meet the City's anticipated expenditure requirements for the next six months.

INVESTMENT SUMMARY:

The following table shows summary investment information for the month ending September 30, 2009:

	Short-term Portfolio	Long-term Portfolio	Total Portfolio Values
Portfolio Balance (Market Value)	\$ 119,694,331	\$ 243,409,221	\$363,103,553
Effective Yield	0.17 %	2.97 %	2.03 %
Avg. Weighted Maturity	5 Days	2.6 Years	1.7 Years
Net Earnings	\$ 14,500	\$ 822,081	\$ 836,581
Benchmark*	0.02 %	1.17 %	0.77 %

* Benchmark value is the Interpolated Treasury Yield to the Portfolio's Avg. Weighted Maturity

INVESTMENT ACTIVITIES

The City Treasurer's Investment Portfolio received a credit rating of AAf and a volatility rating of S1 from Standard and Poor's in July 2008. The portfolio is reviewed monthly by Standard and Poor's for portfolio holdings, liquidity values and the overall management of the investment staff. Standard and Poor's reaffirmed the City's AAf credit rating during their annual July 2009 due diligence review. The City of Anaheim is only the fourth City in the country at this time to receive the prestigious credit rating.

In addition to independent verification of the high standard for the City’s investment program, the AAf credit rating is recognized by leading bond insurer's as a highly safe investment option for future City bond issues and to include the City’s portfolio as a ‘permitted investment’ in the bond covenants.

On August 11, 2008, the City of Anaheim’s Investment Policy was recognized and certified by the Association of Professional Treasurers of the United States and Canada (APT US&C) as meeting all standards and criteria established by the APT US&C.

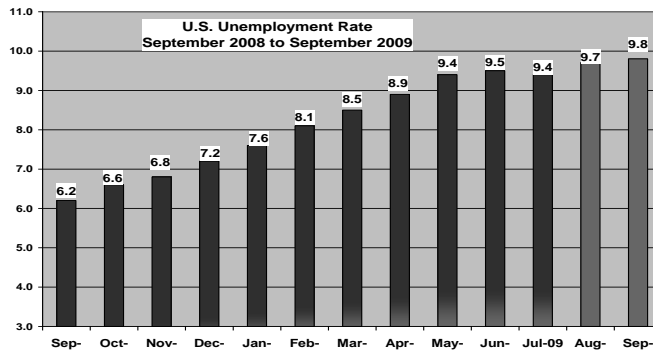
INVESTMENT ENVIRONMENT

The national economy continues to show the strain of the recession as several key economic indicators move in negative directions. One key economic indicator is the national unemployment rate. The national unemployment rate was 9.8% for September 2009, up from the August 2009 value of 9.7%. A survey of economists is still calling for an unemployment rate of 10.0% by year end.

The Bureau of Labor Statistics stated in their October 2, 2009 press release that:

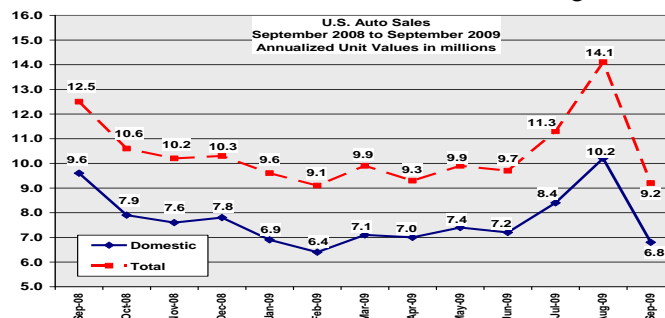
“...nonfarm payroll employment continued to decline in September (-263,000) and the unemployment rate (9.8 percent) continued to trend up. The largest job losses were in construction, manufacturing, retail trade and government. Since the start of the recession in December 2007, the number of unemployed persons has increased by 7.6 million to 15.1 million, and the unemployment rate has doubled to 9.8 percent.”

The chart below shows the national unemployment rate for the past twelve months:



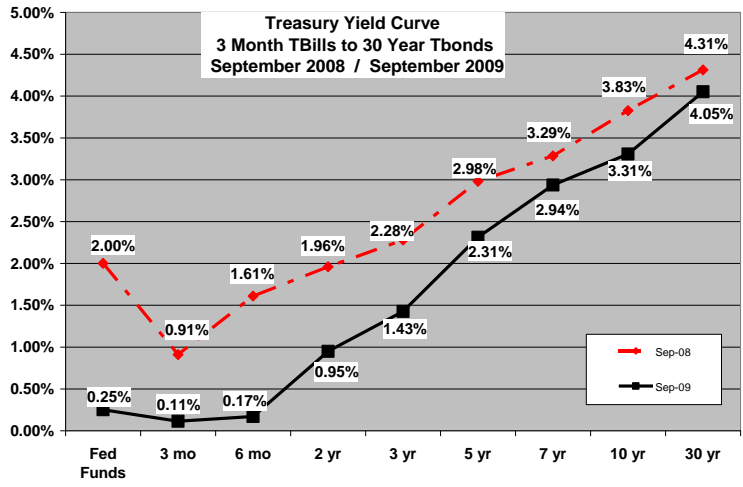
Source: Bureau of Statistics, Dept of Labor

A second major economic factor is Auto sales, both domestic and total sales. The “Cash for Clunkers” program provided a short-term stimulus as sales figures for August 2009 showed a large jump in domestic sales to 10.2 million annualized units, with total auto sales at 14.1 million annualized units. However, it appears the stimulus “stole” sales from future months, as the number of annualized units sold for September 2009 was 6.8 million units domestically and 9.2 million units total auto sales. The following chart shows the declining trend in auto sales:



Source: Bloomberg Financial Systems

Interest rates for the month of September 2009 continued to move slightly lower, with the three month TBill ending September at 0.11%, down from 0.13% from August 2009. The two year TNote closed September 2009 at 0.95%, down from 0.97% for August and the benchmark ten year TNote closed at 3.31% as compared to 3.40% for August. The Federal Open Market Committee (FOMC) met on September 23, 2009 and re-affirmed the benchmark federal funds rate as a range of 0.0% to 0.25%. This interest rate level has been maintained since December 16, 2008, as the Federal Reserve continues to provide liquidity to the financial markets. Commercial paper issuers rated A1+/P1 are posting rates of 0.12% for seven days and 0.15% to 0.18% for 30 to 45 days. The chart below shows the interest rates for Treasury issues for the period of September 2008 and September 2009:



Source: Bloomberg Financial Systems

The City’s investment portfolio remains strongly diversified and invested in high credit quality issues of U.S. Treasuries, Federal Agencies, Medium Term Corporate Notes and high grade commercial paper. Investments in money market accounts are restricted to U.S. Treasury and Federal Agencies only and a review of the State of California Local Agency Investment Fund (LAIF) shows high levels of liquidity and safe investments. The City’s investment strategy continues to focus on safety and providing liquidity for the City’s operational requirements.

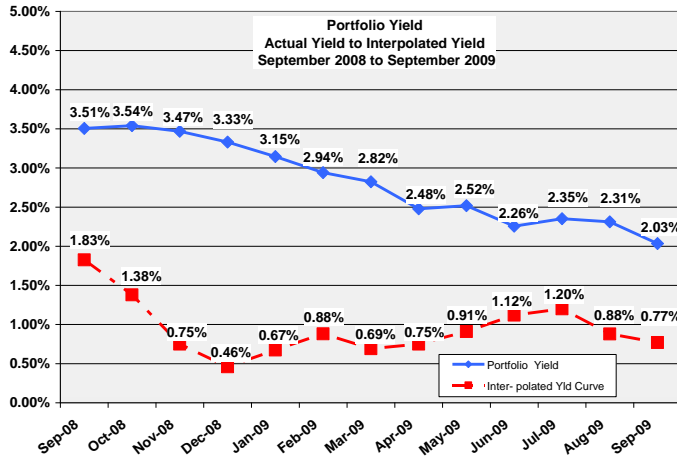
INVESTMENT PERFORMANCE

For September 2009, the City Treasurer’s Investment Portfolio performance was:

	Amount of Funds (Market Value)	Maturity	Effective Yield	Interpolated Yield	Total Return Monthly	Total Return Annual
Short-Term Portfolio	\$ 119,694,331	5 days	0.17 %	0.02 %	0.013	1.204
Long-Term Portfolio	\$ 243,409,221	2.6 years	2.97 %	1.17 %	0.727	4.026
Total Portfolio	\$ 363,103,553	1.7 years	2.03 %	0.77 %	0.514	3.212

Please note the use of interpolated yield values and total return values are guidelines and not used in the performance evaluation of the portfolio. The investment of public funds is exposed to a large range of variable factors, such as increases or decreases in revenues and expenditures as well as seasonal timing, which can affect the cash flow of the City.

The City's investment portfolio continues to provide a market rate of return on funds as shown in the following graph which shows the City's net overall performance to a market indicator for the past twelve months:



Source: Treasurer's Office, Anaheim

A complete listing of the portfolio holdings for the City of Anaheim's Investment Portfolio for the month of September 2009 is on the following pages.

IMPACT ON BUDGET:

None.

Respectfully submitted,

Henry W. Stern, CTP
City Treasurer

Attachment:

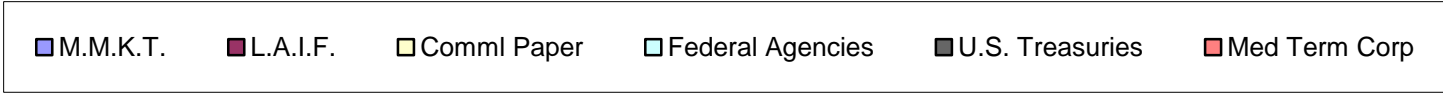
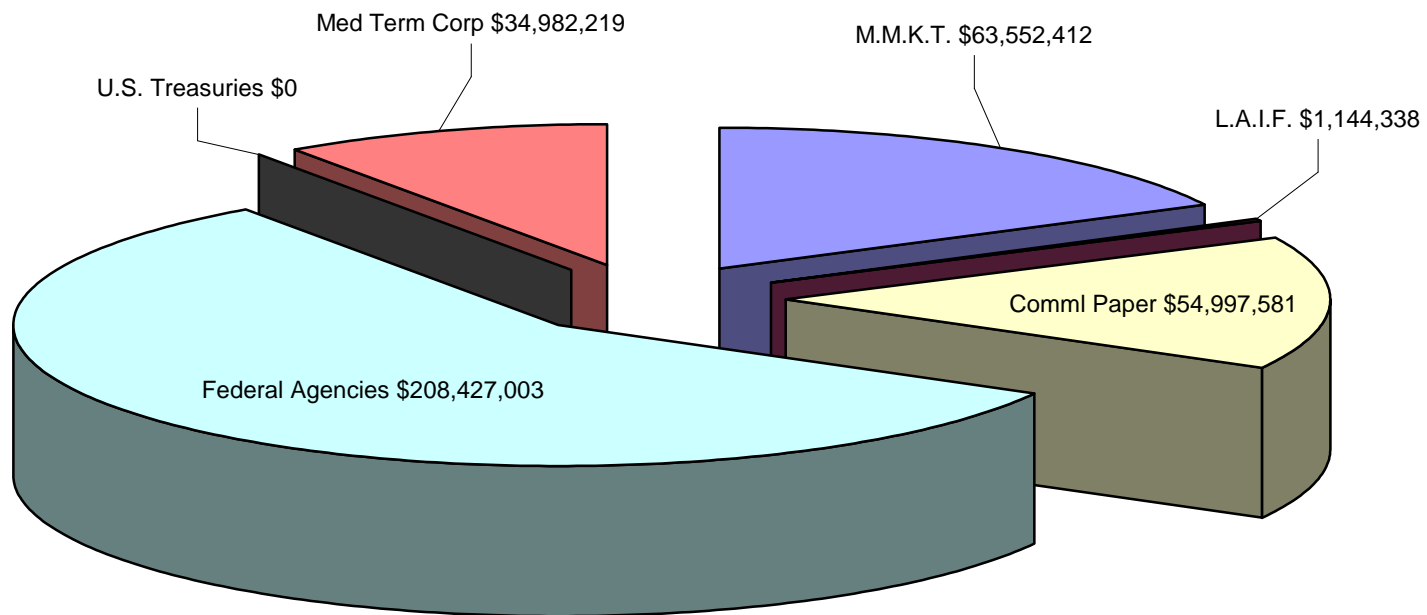
1. City Treasurer's Investment Report – September 2009

Balances, Yields and Average Maturities

September 30, 2009

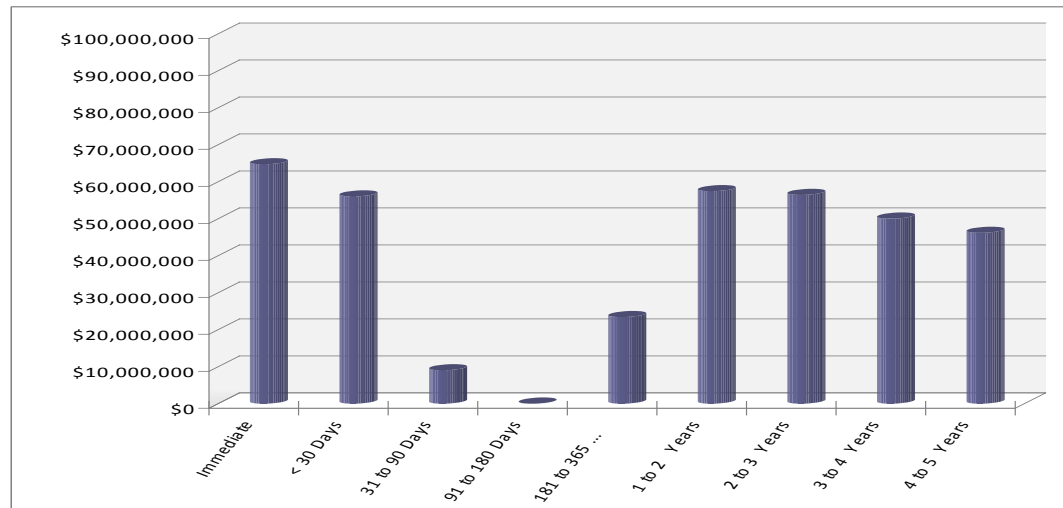
<u>Description</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Yield to Maturity</u>	<u>Percent of Total Funds</u>	<u>Average Weighted Maturity</u>	
						<u>Days</u>	<u>Years</u>
Short-Term Portfolio							
Money Market Funds	\$63,552,412	\$63,552,412	\$63,552,412	0.17%	17.50%	1	0.00
L.A.I.F. (State of California	\$1,144,338	\$1,144,338	\$1,144,338	0.78%	0.32%	1	0.00
subtotal: Cash and Overnight Investments	\$64,696,750	\$64,696,750	\$64,696,750		17.82%	1	0.00
Commercial Paper	\$55,000,000	\$54,997,581	\$54,997,581	0.15%	15.15%	10	0.03
Medium Term Corporate Notes	\$0	\$0	\$0	0.00%	0.00%	0	0.00
U.S. Federal Agencies	\$0	\$0	\$0	0.00%	0.00%	0	0.00
U.S. Treasury	\$0	\$0	\$0	0.00%	0.00%	0	0.00
subtotal: Pooled Investments	\$55,000,000	\$54,997,581	\$54,997,581	0.15%	15.15%	5	0.01
Total Short-Term Portfolio:	\$119,696,750	\$119,694,331	\$119,694,331	0.17%	32.96%	3	0.01
Long -Term Portfolio							
Commercial Paper	\$0	\$0	\$0		0.00%	0	0.00
Medium Term Corporate Notes	\$34,364,000	\$34,316,764	\$34,982,219	4.54%	9.63%	593	1.62
U.S. Federal Agencies	\$204,598,000	\$204,664,895	\$208,427,003	2.71%	57.40%	998	2.73
U.S. Treasury	\$0	\$0	\$0	0.00%	0.00%	0	0.00
Total Long-Term Portfolio:	\$238,962,000	\$238,981,659	\$243,409,221	2.97%	67.04%	940	2.58
Total Cash and Pooled Investments	\$358,658,750	\$358,675,990	\$363,103,553	2.03%	100.00%	628	1.72

**City of Anaheim
Investment Portfolio Asset Allocation
September 30, 2009
\$ 363,103,553**



Liquidity Schedule September 30, 2009

	<u>Availability</u>	<u>Market Value</u>	<u>Cumulative Balances</u>	<u>% of Total Assets</u>
Money Market Funds	Immediate	\$63,552,412	\$63,552,412	17.50%
L.A.I.F. (State of California)	Immediate	\$1,144,338	\$64,696,750	17.82%
Pooled Investment Maturities:	< 30 Days	\$56,012,135	\$120,708,885	33.24%
	31 to 90 Days	\$9,023,521	\$129,732,406	35.73%
	91 to 180 Days	\$0	\$129,732,406	35.73%
	181 to 365 Days	\$23,383,485	\$153,115,891	42.17%
	1 to 2 years	\$57,413,003	\$210,528,895	57.98%
	2 to 3 years	\$56,410,640	\$266,939,534	73.52%
	3 to 4 years	\$50,004,329	\$316,943,863	87.29%
	4 to 5 years	\$46,159,690	\$363,103,553	100.00%
Total Cash and Pooled Investments:		\$363,103,553		



**Summary and Comparison of Yields and Balances
September 30, 2009**

<u>Description</u>	<u>Current Month</u> <u>September 30, 2009</u>	<u>Prior Month</u> <u>August 31, 2009</u>
Yield to Maturity (at market):		
Money Market Funds (US Treasuries)	0.17%	0.22%
L.A.I.F. (State of California)	0.75%	0.88%
U.S. Treasuries	0.00%	0.00%
Federal Agency Bonds	2.71%	2.66%
Commercial Paper	0.15%	0.19%
Medium Term Corporate Notes	4.54%	4.54%
	2.31%	2.31%
Weighted Average Maturity (Days)	628	740
Weighted Average Maturity (Years)	1.72	2.03
Balances (at Market Value)		
Money Market Funds (US Gov Sec)	\$63,552,412	\$57,767,175
L.A.I.F. (State of California)	\$1,144,338	\$1,144,338
U.S. Treasuries	\$0	\$0
Federal Agencies	\$208,427,003	\$257,261,034
Commercial Paper	\$54,997,581	\$19,999,156
Medium Term Corporate Notes	\$34,982,219	\$35,035,239
Total Portfolio:	\$363,103,553	\$371,206,941
Earnings:	<u>Current Month</u> <u>September 30, 2009</u>	<u>Fiscal Year to</u> <u>Date Earnings</u>
Total Interest Earnings for Month:	\$653,692.70	\$2,163,430.65
Total Adjustments from Premiums and Discounts	-\$12,107.63	-\$48,892.14
Total Capital Gains or Losses	\$194,995.80	\$156,730.51
Total Earnings for Month	\$836,580.87	\$2,271,269.02