



# Treasurer's Report

January 11, 2010

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**TO:** Honorable Mayor and Town Council  
**FROM:** Roger Carroll, Treasurer/Finance Officer  
**DATE:** January 4, 2011  
**RE:** Monthly Treasurer's Report

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## **RECOMMENDED ACTION:**

Receive and file.

## **ISSUE STATEMENT AND DISCUSSION:**

California Government Code and Town Municipal Code require monthly Treasurer's reports. The reports attached are as follows:

- Investment Policy Compliance Report - lists the types of investments allowable by the State and the Town and whether our investments comply.
- Quality Analysis Report - groups the investments by Moody Rating Group.
- Transaction Ledger Report – shows the purchases, sales, interest payments and redemptions during the report period.

## **Other Information**

## **COMPLIANCE WITH INVESTMENT POLICY:**

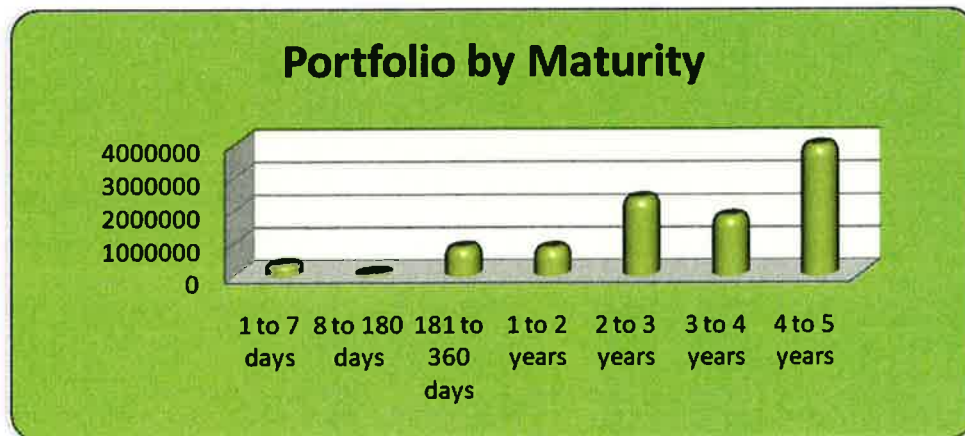
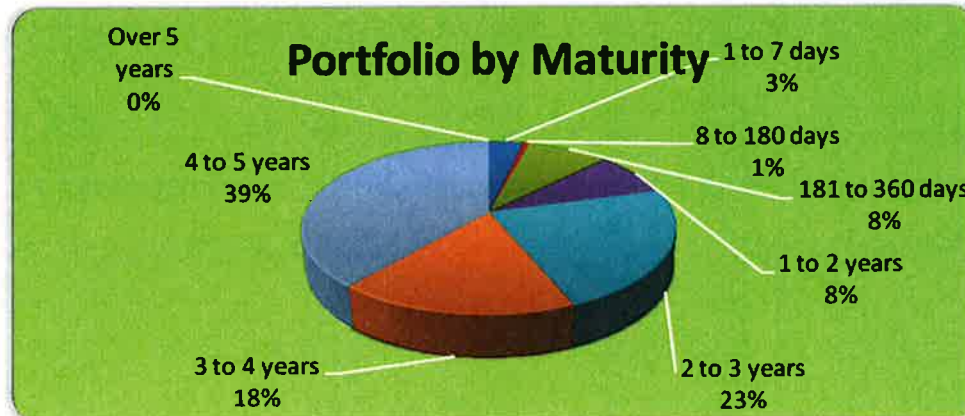
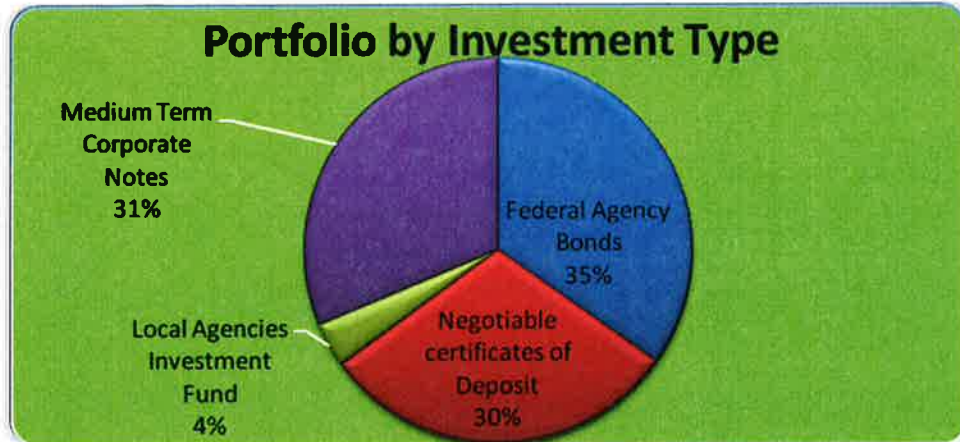
The Town is in compliance with its investment policy. The Lehman Brothers bonds have been downgraded to below investment level. The Town's investment policy does not require immediate liquidation of such bonds, but allows some discretion. As these bonds went suddenly from AA investment grade to below investment grade the day that Lehman Brother's declared bankruptcy, the majority of the resale value was gone before markets opened. Union bank is currently reporting the value of the \$500,000 par value bonds at \$115,625, but conservative estimates report that at liquidation in bankruptcy court, the bonds will return between \$210,000 at the low end and \$350,000 at the high end. The Treasurer recommends waiting for the bankruptcy proceedings.

## Other Information

Benchmarks as of December 31, 2010:

Federal Lending Rate: 0.25%  
 Two Year T-Bill Rate: 0.59%  
 LAIF daily Rate 0.49%

Town of Loomis Weighted Average Rate, excluding LAIF investments: 3.29%  
 Average Maturity is 2.97 years.



## **Strategy**

The Treasurer's current practice is:

- Sell bonds with higher interest rates to capture the market gain before it evaporates, but only if replacement earnings plus the market gain exceed the current projected earnings.
- Approximate a "barbell" strategy by investing in higher earning investments in the four to five year maturity range, and shorter term investments to be in position for as rates start to climb.

## **POLICY AND/OR FINANCIAL IMPLICATIONS:**

None.

Attachments: Investment Policy Compliance Report  
Quality Analysis Report  
Transaction Ledger Report

**Town of Loomis**  
**Investment Policy Compliance**  
with Government Code Standards, and the Town of Loomis Investment Plan Standards  
As of December 31, 2010

**Current Portfolio Balance: \$ 10,295,854**

Ca Government Code Section 53601		Govt Code Maximum %	Loomis Maximum %	Loomis Actual %	Complies
a	Bonds issued by Loomis		5.00%		Yes
b	Federal Treasury notes, bonds, bills	100.00%	100.00%		Yes
c	State/local agency bonds, etc	100.00%	50.00%	6.82%	Yes
d	Local agency bonds, etc	100.00%	50.00%		Yes
e	Federal Agency Bonds	100.00%	100.00%	32.45%	Yes
f	Bankers Acceptances	40.00%	40.00%		Yes
g	Commercial Paper	30.00%	15.00%		Yes
h	Negotiable certificates of Deposit	30.00%	30.00%	28.08%	Yes
l(1)	Repurchase Agreements	20.00%	20.00%		Yes
l(3)	Reverse Repurchase Agreements	20.00%	20.00%		Yes
	Local Agencies Investment Fund		100.00%	3.49%	Yes
h	Time Deposits	30.00%	25.00%		Yes
j	Medium Term Corporate Notes	30.00%	30.00%	29.15%	Yes
k	Shares of Beneficial Interest	20.00%	0.00%		Yes
l	Local agency Certificates of Participation, security pledges, lease installments, etc.		0.00%		Yes
m	Local agency notes, bonds, etc.	0.00%	0.00%		Yes
n	Mortgage pass through security bonds	20.00%	0.00%		Yes
<b>Total</b>				100.00%	

Target Share of Portfolio per Investment Policy			Actual %	Actual \$
Range	Not Less Than	Not More Than		
1 to 7 days	5%	70%	3%	359,816
8 to 180 days	0%	30%	1%	71,691
181 to 360 days	0%	30%	10%	1,062,130
1 to 2 years	0%	40%	6%	647,000
2 to 3 years		40%	23%	2,364,477
3 to 4 years		30%	21%	2,187,329
4 to 5 years		30%	35%	3,603,411
Over 5 years		0%	0%	
<b>Total</b>				10,295,854

Note: The Town holds \$500,000 in senior unsecured bonds in Lehman Brothers, which, due to bankruptcy have fallen below investment grade. See the narrative for further details.



**Town of Looms**  
**Transaction Ledger**  
**12/01/10 to 12/31/10**

<u>Trans Date</u>	<u>Quantity</u>	<u>Description</u>	<u>Price</u>	<u>Amount</u> <u>Int Purch/Sold</u>	<u>Premium/Gain</u> <u>(Discount)/(Loss)</u>
12/1/2010 Interest Received	3,037.50	Illinois ST GO 4.05% due 6/01/15	1.000	3,037.50	3,037.50
12/1/2010 Interest Received	0.16	Highmark Treas Fund 0.01% floating 7 day	1.000	0.16	0.16
12/1/2010 Interest Received	251.27	Doral Bank 3.05% due 3/30/12	1.000	251.27 -	251.27
12/2/2010 Interest Received	386.30	Key Bank 4.7% due 10/01/12	1.000	386.30	386.30
12/3/2010 Interest Received	3,593.75	FHLB 2.875% due 6/3/15	1.000	3,593.75 -	3,593.75
12/13/2010 Bond Called	250,000.00	FHLB 2.875% due 6/31/15	1.000	250,000.00 199.65	199.65
12/13/2010 Interest Received	1,403.19	Merril Lynch 5.45% due 2/5/13	1.000	1,403.19	1,403.19
12/15/2010 Interest Received	139.58	GECC FR% due 9/15/14	1.000	139.58	139.58
12/15/2010 Interest Received	176.71	Doral Bank 2.15% due 5/14/13	1.000	176.71 -	176.71
12/15/2010 Interest Received	176.71	Firstbank PR 2.15% due 5/14/13	1.000	176.71	176.71
12/20/2010 Interest Received	2,381.51	GE Money Bank 4.75% due 12/18/13	1.000	2,381.51	2,381.51
12/23/2010 Interest Received	489.01	GECC 1.538% due 9/23/13	1.000	489.01	489.01
12/28/2010 Interest Received	822.24	Saehan Bank 3.4% due 3/27/14	1.000	822.24	822.24
12/29/2010 Bond Purchased	250,000.00	FHLB 2.50% due 12/22/15	0.998	249,500.00 109.38	-

12/29/2010	280,000.00	FHLB	0.963	269,640.00	-
Bond Purchased		1.375% due 12/11/15		577.50	
12/29/2010	520,000.00	FNMA	1.000	520,000.00	7,150.00
Bond Called		2.75% due 12/29/14		7,150.00	
12/30/2010	2,500.00	FHLB s/u	1.000	2,500.00	2,500.00
Interest Received		1.0% due 6/30/15			
12/31/2010	243.16	Doral Bank	1.000	243.16	243.16
Interest Received		3.05% due 3/30/12			

**Local Agency Investment Fund**

No Activity during December