

M E M O R A N D U M

TO: Mayor Prussing
Members, Urbana City Council

FROM: City Comptroller

RE: Quarterly Investment Report for Quarter Ended December 31, 2008

DATE: January 31, 2009

The City's investment policy requires that a quarterly investment report be submitted to the City Council. Attached please find the city's investment report as of December 31, 2008.

Two last 2 columns report any changes in investments and cash accounts during the quarter. The total amount invested decreased approximately \$2.3 million to a total of \$31,723,215. This decrease is normal for this quarter and the next quarter since at this time of the year the timing of revenues is less than expenses so cash will be drawn down. It will be replaced later in the year when property taxes are received. The average yield is 4.5% on fixed investments (CD's and U.S. Treasury) and 0.5% on short-term money market and savings investments (last quarter returns were 4.8 and 1.9% respectively). The average outstanding length of maturity time for the fixed investments is 6.1 years. I have purchased a few U.S. securities that mature in approximately 20 years, in order to obtain a higher yield. These securities can easily be sold if ever need to be.

There has been a dramatic drop in interest rates being paid on investments, especially short-term and money market accounts, due to the federal government trying to jump start the economy. Our short-term money market account that the city holds money to pay weekly bills has dropped to 0.14%. In order to try to earn as much as possible, I have been investing our short-term money in 30, 60, and 90 day CD's at an average rate around 2%, as available cash will allow.

This portfolio of city investment's has not been affected much by the recent stock market decline since this portfolio has no investments in the stock market. However, the stock market decline has dramatically impacted the City's three employee pension funds as the Police Pension and Fire Pension Funds have 45% of their assets invested in the stock market and I.M.R.F. has 60%). While employee pensions are not threatened (these are guaranteed by law and money has already been accumulated to pay these pensions), if the stock market does not rebound within the 2-3 years, the City will be required to increase the amounts contributed to these pension funds dramatically. Even given a stock market rebound within this time, I now estimate that pension costs will increase 15-20% over the next 3 years. This equates to an approximate additional \$850,000 annually.

The City's investment portfolio at September 30, 2008 complies and is in accordance with State laws and the City's investment policies that were approved on November 15, 1999.

<u>Institution</u>	<u>Type of Investment</u>	<u>Maturity Date</u>	<u>Date Purchased</u>	<u>Yield</u>	<u>12/31/08 \$ Market</u>	<u>% Portfolio</u>	<u>09/30/08 \$ Market</u>	<u>% Increase (Decrease)</u>	<u>Reason for Change</u>
Central IL Bank	CD	12/06/08	12/06/06	4.720%	\$ -		\$ 108,566	-100.00%	Maturity
Central IL Bank	CD	12/06/09	12/06/08	3.800%	\$ 239,840		\$ -	100.00%	Purchase
Regions Bank	CD	09/05/09	07/08/08	3.340%	\$ 98,322		\$ 97,500	0.84%	Accrued Interest
National City	CD	01/09/10	01/09/08	4.640%	\$ 96,000		\$ 96,000	0.00%	
Centrue Bank	CD	05/30/09	04/30/08	3.370%	\$ 97,000		\$ 97,000	0.00%	
Chase Bank	CD	11/23/10	11/23/07	4.630%	\$ 100,000		\$ 100,000	0.00%	
Freestar Bank	CD	02/23/09	11/23/07	4.420%	\$ 95,000		\$ 95,000	0.00%	
First Federal	CD	11/29/08	11/30/07	4.670%	\$ -		\$ 96,000	-100.00%	Maturity
First Federal	CD	11/29/09	11/29/08	2.580%	\$ 97,500		\$ -	100.00%	Purchase
Chase Bank	CD	11/24/13	11/24/08	4.490%	\$ 99,953		\$ -	100.00%	Purchase
Busey Bank	CD	03/15/09	12/15/08	2.230%	\$ 1,000,000		\$ -	100.00%	Purchase
Busey Bank	CD	12/10/09	12/15/08	3.200%	\$ 1,000,000		\$ -	100.00%	Purchase
Busey Bank	CD	04/14/09	12/15/08	2.230%	\$ 1,000,000		\$ -	100.00%	Purchase
Busey Bank	CD	02/13/09	12/15/08	1.990%	\$ 1,000,000		\$ -	100.00%	Purchase
Busey Bank	CD	01/14/09	12/15/08	1.490%	\$ 1,000,000		\$ -	100.00%	Purchase
Smith Barney	CD	11/23/10	11/16/05	4.850%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	12/07/09	11/29/06	4.750%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	07/13/10	07/06/07	5.300%	\$ 50,000		\$ 50,000	0.00%	
Smith Barney	CD	07/13/10	07/06/07	5.300%	\$ 50,000		\$ 50,000	0.00%	
Smith Barney	CD	04/01/09	09/17/07	4.900%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	10/30/09	10/23/07	4.700%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	12/05/14	11/27/07	5.000%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	06/13/11	06/06/08	4.150%	\$ 96,000		\$ 96,000	0.00%	
Stifel, Nicolaus	CD	08/31/09	09/01/04	3.855%	\$ 92,050		\$ 92,050	0.00%	
Stifel, Nicolaus	CD	06/22/09	12/22/06	4.900%	\$ 100,000		\$ 100,000	0.00%	
Stifel, Nicolaus	CD	12/14/09	06/05/07	5.150%	\$ 100,000		\$ 100,000	0.00%	
Stifel, Nicolaus	CD	12/12/13	12/12/08	4.850%	\$ 100,000		\$ -	100.00%	Purchase
Stifel, Nicolaus	CD	12/10/13	12/10/08	4.750%	\$ 98,000		\$ -	100.00%	Purchase
Stifel, Nicolaus	CD	12/22/11	12/22/08	3.750%	\$ 100,000		\$ -	100.00%	Purchase
Stifel, Nicolaus	CD	12/30/11	12/30/08	3.650%	\$ 100,000		\$ -	100.00%	Purchase
Stifel, Nicolaus	CD	06/20/11	12/19/08	3.750%	\$ 100,000		\$ -	100.00%	Purchase
Edward Jones	CD	12/24/08	12/24/03	3.750%	\$ -		\$ 98,000	-100.00%	Maturity
Edward Jones	CD	12/26/08	12/26/03	3.750%	\$ -		\$ 98,000	-100.00%	Maturity
Edward Jones	CD	07/13/09	07/11/07	5.200%	\$ 94,000		\$ 94,000	0.00%	
Edward Jones	CD	12/07/09	12/06/07	4.550%	\$ 99,000		\$ 99,000	0.00%	
Edward Jones	CD	12/07/09	12/07/07	4.550%	\$ 99,000		\$ 99,000	0.00%	
Merrill Lynch	CD	12/22/08	12/11/06	4.800%	\$ -		\$ 100,000	-100.00%	Maturity
Merrill Lynch	CD	12/22/08	12/11/06	4.800%	\$ -		\$ 100,000	-100.00%	Maturity
Merrill Lynch	CD	12/21/09	12/10/07	4.350%	\$ 97,000		\$ 97,000	0.00%	
Merrill Lynch	CD	12/18/09	12/10/07	4.500%	\$ 97,000		\$ 97,000	0.00%	
Merrill Lynch	CD	12/28/09	12/17/07	4.400%	\$ 97,000		\$ 97,000	0.00%	
Merrill Lynch	CD	07/13/09	12/31/07	4.250%	\$ 91,000		\$ 91,000	0.00%	
Merrill Lynch	CD	01/12/09	12/31/07	4.200%	\$ 92,000		\$ 92,000	0.00%	
Merrill Lynch	CD	06/30/11	06/16/08	4.300%	\$ 98,000		\$ 98,000	0.00%	
Merrill Lynch	CD	10/23/09	10/20/08	3.500%	\$ 241,000		\$ -	100.00%	Purchase
Merrill Lynch	CD	10/29/09	10/20/08	3.650%	\$ 241,000		\$ -	100.00%	Purchase
Merrill Lynch	CD	10/29/09	10/20/08	3.650%	\$ 241,000		\$ -	100.00%	Purchase
Merrill Lynch	CD	10/29/09	10/20/08	3.600%	\$ 241,000		\$ -	100.00%	Purchase
Merrill Lynch	CD	01/03/11	12/22/08	3.000%	\$ 98,000		\$ -	100.00%	Purchase
Merrill Lynch	CD	01/03/11	12/22/08	3.000%	\$ 98,000		\$ -	100.00%	Purchase
Subtotal, CD's					\$ 9,413,666	29.67%	\$ 2,918,116	222.59%	

Institution	Type of Investment	Maturity Date	Date Purchased	Yield	\$ Market	% Portfolio	\$ Market	% Increase (Decrease)	Reason for Change
Merrill Lynch	US Govt, Agency, FICO	6/27/09	11/03/93	7.000%	171,438		171,438	0.00%	
Merrill Lynch	US Govt, Agency, FICO	11/2/09	11/03/93	7.010%	190,786		190,786	0.00%	
Merrill Lynch	US Govt, Agency, FICO	11/11/09	11/03/93	7.010%	102,064		102,064	0.00%	
Merrill Lynch	US Govt, Agency,TNote	11/15/08	07/03/02	4.750%	-		1,262,013	-100.00%	Maturity
Merrill Lynch	US Govt, Agency,Tstrip	5/15/09	05/26/04	3.800%	590,418		590,418	0.00%	
Merrill Lynch	US Govt, Agency,Tstrip	5/15/11	05/26/04	4.310%	621,472		621,472	0.00%	
Merrill Lynch	US Govt, Agency,FHLM	5/28/13	11/23/04	4.250%	497,635		497,635	0.00%	
Merrill Lynch	US Govt, Agency,FHLM	7/6/10	11/22/06	4.500%	163,976		163,976	0.00%	
Merrill Lynch	US Govt, Agency,FHLM	10/15/08	05/14/07	5.125%	-		624,650	-100.00%	Maturity
Merrill Lynch	US Govt, Agency,FHLM	11/3/09	05/14/07	4.750%	639,650		639,650	0.00%	
Merrill Lynch	US Govt, Agency,FHLB	10/22/10	09/25/07	4.375%	255,625		255,625	0.00%	
Merrill Lynch	US Govt, Agency,Tstrip	11/15/16	11/17/08		1,392,653		\$ -	100.00%	Purchase
Smith Barney	US Govt, Agency, GNMA	10/20/23	11/26/93	6.500%	13,869		14,073	-1.45%	Principal Payments
Smith Barney	US Govt, Agency, GNMA	11/20/23	11/26/93	6.500%	1,136		1,153	-1.43%	Principal Payments
Smith Barney	US Govt, Agency,FHLM	3/15/13	05/24/04	5.750%	671,168		671,168	0.00%	
Smith Barney	US Govt, Agency,FHLM	7/15/10	05/24/04	4.480%	659,785		659,785	0.00%	
Smith Barney	US Govt, Agency,FICO	6/27/11	05/25/04	4.680%	637,217		637,217	0.00%	
Smith Barney	US Govt, Agency,FICO	5/30/12	05/25/04	4.900%	656,047		656,047	0.00%	
Smith Barney	US Govt, Agency, Tstrip	11/15/09	11/16/05	4.046%	918,660		918,660	0.00%	
Smith Barney	US Govt, Agency T/Note	1/31/09	06/24/08	4.875%	140,189		140,189	0.00%	
Edward Jones	US Govt, Agency,FHLM	5/15/30	05/28/04	5.000%	999,790		999,790	0.00%	
Edward Jones	US Govt, Agency, FNMA	10/12/22	10/12/07	5.500%	1,005,940		1,005,940	0.00%	
Edward Jones	US Govt, Agency,Tstrip	8/15/09	12/05/05	4.200%	794,925		794,925	0.00%	
Edward Jones	US Govt, Agency,TNote	4/30/11	05/19/06	4.875%	438,264		438,264	0.00%	
Edward Jones	US Govt, Agency,FHLMC	5/15/26	05/19/06	6.000%	421,227		421,227	0.00%	
Edward Jones	US Govt, Agency,FHLMC	12/15/12	12/20/07	4.500%	-		435,654	-100.00%	Called
Edward Jones	US Govt, Agency,TVA	10/15/23	10/17/08	5.000%	1,417,000		\$ -	100.00%	Purchase
Stifel, Nicolaus	US Govt, Agency,FICO	11/30/08	09/19/02	9.800%	-		198,068	-100.00%	Maturity
Stifel, Nicolaus	US Govt, Agency,FICO	5/11/09	06/06/07	5.030%	122,277		122,277	0.00%	
Stifel, Nicolaus	US Govt, Agency, FHLMC	11/15/11	11/29/07	4.500%	-		250,630	-100.00%	Called
Stifel, Nicolaus	US Govt, Agency, FHLMC	11/15/12	11/29/07	4.600%	-		250,170	-100.00%	Called
Stifel, Nicolaus	US Govt, Agency, FNMA	8/14/23	10/01/07	6.000%	125,079		125,079	0.00%	
Stifel, Nicolaus	US Govt, Agency, FNMA	10/29/27	11/02/07	5.250%	456,693		456,693	0.00%	
Stifel, Nicolaus	US Govt, Agency, FNMA	11/5/27	11/09/07	5.250%	213,454		213,454	0.00%	
Stifel, Nicolaus	US Govt, Agency, FNMA	12/24/27	12/28/07	5.250%	1,182,372		1,182,372	0.00%	
Stifel, Nicolaus	US Govt, Agency, FNMA	2/11/28	02/15/08	4.750%	180,679		180,679	0.00%	
Stifel, Nicolaus	US Govt, Agency, FNMA	2/25/28	02/29/08	5.000%	921,795		921,795	0.00%	
Stifel, Nicolaus	US Govt, Agency, FHLMC	6/15/23	06/06/08	5.000%	216,029		216,029	0.00%	
Stifel, Nicolaus	US Govt, Agency,Tstrip	11/15/08	06/06/08	4.750%	-		34,739	-100.00%	Maturity
Stifel, Nicolaus	US Govt, Agency,Tstrip	11/15/12	06/06/08	3.020%	259,887		259,887	0.00%	
Stifel, Nicolaus	US Govt, Agency,Tstrip	11/15/18	11/28/08	3.550%	296,710		\$ -	100.00%	Purchase
Subtotal, U.S. Govt.					\$ 17,375,909	54.77%	\$ 17,325,691	0.29%	

Type of Investment	Maturity Date	Date Purchased	Yield	\$ Market	% Portfolio	\$ Market	% Increase (Decrease)	Reason for Change
								Investment
MM	n/a	n/a	0.280%	\$ 18,228		\$ 487,446	-96.26%	Purchases
MM	n/a	n/a	0.920%	\$ 694,431		\$ 1,419,785	-51.09%	Purchases
								Investment Interest, GNMA Principal
MM	n/a	n/a	1.740%	\$ 24,508		\$ 10,303	137.87%	Payments
MM			1.010%	\$ 45,152		\$ 32,744	37.89%	Investment interest, purchases
US Govt Pool Fund			0.660%	\$ 356,651		\$ 355,671	0.28%	Investment Interest
Govt. Pool, IL Funds	n/a	n/a	0.505%	\$ 661,415		\$ 3,312,404	-80.03%	State Payments, Interest. \$9.2 M Tfr to Busey
Govt. Pool, IL Funds	n/a	n/a	0.967%	\$ 764		\$ 2,895,945	-99.97%	\$2.9 M Tfr to IL Funds MM
Govt. Pool, IL Funds	n/a	n/a	0.505%	\$ 40,647		\$ 24,604	65.21%	Revenue Payments, Transfer to IL Funds MM \$31.000
Savings	n/a	n/a	n/a	\$ -		\$ 99,855	-100.00%	Closed Acct to Purchase CD
Savings	n/a	n/a	0.300%	\$ 3,091,844		\$ 5,112,124	-39.52%	Normal Bill Paying, \$9.2 M Tfr from IL Funds, \$5 M CD purchase
				\$ 4,933,640	15.55%	\$ 13,750,882	-64.12%	
				\$ 31,723,215	100.00%	\$ 33,994,689	-6.68%	