

M E M O R A N D U M

TO: Mayor Prussing
Members, Urbana City Council

FROM: Ronald Eldridge, City Comptroller

RE: Quarterly Investment Report for Quarter Ended June 30, 2010

DATE: September 23, 2010

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 June 30, 2010.

The total amount invested increased \$426,656 to a total of \$30,413,606 from the balances at March 31, 2010. This increase is deceiving in that it includes \$333,053 in increases in the market values of our securities (I only adjust to market value on June 30 of each year). Backing out the \$333,053, actual cash invested increased \$93,603. This increase would normally be approximately \$300,000 higher since we receive a significant property tax payment in June. However, this lower increase reflects the City's financial situation. (Recall that the budget planned on spending down general fund cash by approximately \$1 million for the entire year). The cash and investment balance on June 30, 2009 was \$32.2 million.

The average yield is 4% on fixed investments (CD's and U.S. Treasury) and 0.2% on short-term money market and savings investments (last quarter returns were 3.5 and 0.1% respectively). The average outstanding length of maturity time for the fixed investments is 4.3 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 be sold if needed to. In reality, many of these higher yielding bonds are being called by the government and paid off early.

This portfolio of city investment's is not affected by fluctuations in the stock market since this portfolio has no investments in the stock market. However, the City's three employee pension funds have 45% to 60% of their assets invested in the stock market. The stock market had a return for the fiscal year ended June 30 of approximately 20%. This return is very encouraging and will help mitigate losses that occurred in 2008 and 2009. If the pension funds can achieve another good return in fiscal year 2011, this will help pension funding requirements greatly and decrease the amount of money the city is required to pay into the funds, thus freeing up this money to alleviate the general fund financing problem.

The City's investment portfolio at June 30, 2010 complies and is in accordance with State laws and the City's investment policies that were approved on November 15, 1999.

	Type of	Maturity	Date		06/30/10	%	03/31/10	% Increase	Reason for
<u>Institution</u>	<u>Investment</u>	<u>Date</u>	<u>Purchased</u>	<u>Yield</u>	<u>\$ Market</u>	Portfolio	<u>\$ Market</u>	<u>(Decrease)</u>	<u>Change</u>
CIBM Bank	CD	08/06/11	12/06/09	2.290%	\$ 235,669		\$ 234,317	0.58%	Accrued Interest
Regions Bank	CD	03/05/13	09/05/09	3.200%	\$ 103,808		\$ 102,974	0.81%	Accrued Interest
PNC (formerly National City)	CD	12/11/10	01/11/10	1.640%	\$ 100,560		\$ 100,560	0.00%	
Centrue Bank	CD	05/30/11	05/30/09	2.390%	\$ 102,992		\$ 100,574	2.40%	Accrued Interest
Chase Bank	CD	11/23/10	11/23/07	4.630%	\$ 100,000		\$ 100,000	0.00%	
Chase Bank	CD	11/24/13	11/24/08	4.490%	\$ 99,953		\$ 99,953	0.00%	
First Federal	CD	11/29/10	11/29/09	1.000%	\$ 100,623		\$ 100,035	0.59%	Accrued Interest
Busey Bank	CD	04/16/10	07/13/09	2.340%	\$ -		\$ 438,039	-100.00%	Maturity
Busey Bank	CD	05/12/10	08/12/09	1.750%	\$ -		\$ 438,579	-100.00%	Maturity
Busey Bank	CD	06/15/10	09/11/09	1.750%	\$ -		\$ 437,500	-100.00%	Maturity
Busey Bank	CD	07/17/10	10/17/09	1.250%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	08/16/10	11/16/09	1.250%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	09/10/10	12/10/09	1.250%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	10/10/10	12/10/09	1.250%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	11/10/10	12/10/09	1.340%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	12/10/10	12/10/09	1.340%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	01/16/11	12/16/09	1.340%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	02/16/11	04/16/10	1.000%	\$ 445,706			100.00%	Purchase
Busey Bank	CD	03/16/11	05/12/10	1.000%	\$ 444,319			100.00%	Purchase
Busey Bank	CD	04/15/11	06/15/10	0.750%	\$ 437,500			100.00%	Purchase
Smith Barney	CD	11/23/10	11/23/05	4.850%	\$ 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	12/05/14	12/05/07	5.000%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	02/04/11	02/04/09	2.500%	\$ 69,000		\$ 69,000	0.00%	
Smith Barney	CD	02/06/12	02/06/09	3.000%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	04/16/12	04/14/09	3.000%	\$ 96,000		\$ 96,000	0.00%	
Smith Barney	CD	11/07/11	11/06/09	1.750%	\$ 104,000		\$ 104,000	0.00%	
Smith Barney	CD	06/10/11	12/11/09	1.350%	\$ 102,000		\$ 102,000	0.00%	
Stifel, Nicolaus	CD	12/12/13	12/12/08	4.850%	\$ 100,000		\$ 100,000	0.00%	
Stifel, Nicolaus	CD	12/10/13	12/10/08	4.750%	\$ 98,000		\$ 98,000	0.00%	
Stifel, Nicolaus	CD	12/30/11	12/30/08	3.650%	\$ 100,000		\$ 100,000	0.00%	
Stifel, Nicolaus	CD	05/28/13	05/27/09	3.350%	\$ 245,000		\$ 245,000	0.00%	
Stifel, Nicolaus	CD	06/30/14	06/29/09	4.000%	\$ 95,000		\$ 95,000	0.00%	
Stifel, Nicolaus	CD	06/15/10	06/18/09	1.050%	\$ -		\$ 245,000	-100.00%	Maturity
Stifel, Nicolaus	CD	06/15/11	06/17/10	0.550%	\$ 250,000			100.00%	Purchase
Stifel, Nicolaus	CD	06/27/11	06/26/09	2.250%	\$ 250,000		\$ 250,000	0.00%	
Stifel, Nicolaus	CD	09/04/12	09/02/09	2.500%	\$ 250,000		\$ 250,000	0.00%	
Edward Jones	CD	03/05/12	09/04/09	1.950%	\$ 249,000		\$ 249,000	0.00%	
Edward Jones	CD	08/31/12	08/31/09	2.050%	\$ 249,000		\$ 249,000	0.00%	
Edward Jones	CD	09/10/12	09/09/09	2.150%	\$ 249,000		\$ 249,000	0.00%	
Edward Jones	CD	09/03/13	09/03/09	2.600%	\$ 246,000		\$ 246,000	0.00%	
Edward Jones	CD	04/28/11	04/28/10	0.600%	\$ 230,000			100.00%	Purchase
Edward Jones	CD	04/28/11	04/28/10	0.700%	\$ 248,000			100.00%	Purchase
Edward Jones	CD	10/31/11	04/30/10	0.850%	\$ 248,000			100.00%	Purchase
Edward Jones	CD	11/07/11	05/07/10	0.850%	\$ 249,000			100.00%	Purchase
Morgan Stanley	CD	06/30/11	06/30/08	4.300%	\$ 98,000		\$ 98,000	0.00%	
Morgan Stanley	CD	01/03/11	12/31/08	3.000%	\$ 98,000		\$ 98,000	0.00%	
Morgan Stanley	CD	01/03/11	12/31/08	3.000%	\$ 98,000		\$ 98,000	0.00%	
Morgan Stanley	CD	12/27/11	06/24/09	2.500%	\$ 247,000		\$ 247,000	0.00%	
Morgan Stanley	CD	12/27/10	06/24/09	1.500%	\$ 250,000		\$ 250,000	0.00%	
Morgan Stanley	CD	10/28/11	10/28/09	2.000%	\$ 200,000		\$ 200,000	0.00%	
Morgan Stanley	CD	10/28/11	10/28/09	1.950%	\$ 179,000		\$ 179,000	0.00%	
Morgan Stanley	CD	11/14/11	11/13/09	1.950%	\$ 247,000		\$ 247,000	0.00%	
Morgan Stanley	CD	02/06/12	11/06/09	2.000%	\$ 247,000		\$ 247,000	0.00%	
Morgan Stanley	CD	11/07/11	11/06/09	1.950%	\$ 247,000		\$ 247,000	0.00%	
Morgan Stanley	CD	06/29/12	12/30/09	2.000%	\$ 198,000		\$ 198,000	0.00%	
Morgan Stanley	CD	07/16/12	01/15/10	1.900%	\$ 112,000		\$ 112,000	0.00%	
Subtotal, CD's					\$ 10,257,130	33.73%	\$ 9,258,531	10.79%	

Institution	Type of Investment	Maturity Date	Date Purchased	Yield	06/30/10 \$ Market	% Portfolio	03/31/10 \$ Market	% Increase (Decrease)	Reason for Change
Morgan Stanley	US Govt, Agency,Tstrip	5/15/11	05/26/04	4.310%	671,617		661,201	1.58%	Market Value Adjust
Morgan Stanley	US Govt, Agency,FHLM	7/6/10	11/22/06	4.500%	160,094		166,227	-3.69%	Market Value Adjust
Morgan Stanley	US Govt, Agency,FHLM	1/30/14	05/15/09	5.000%	618,409		596,750	3.63%	Market Value Adjust
Morgan Stanley	US Govt, Agency,FHLM	11/24/14	01/27/09	3.210%	539,632		489,677	10.20%	Market Value Adjust
Morgan Stanley	US Govt, Agency,FHLB	10/22/10	09/25/07	4.375%	253,125		261,485	-3.20%	Market Value Adjust
Morgan Stanley	US Govt, Agency,Tstrip	11/15/16	11/18/08	4.220%	1,665,659		1,499,809	11.06%	Market Value Adjust
Smith Barney	US Govt, Agency, GNMA	10/20/23	11/26/93	6.500%	9,147		10,017	-8.68%	Principal Payment
Smith Barney	US Govt, Agency, GNMA	11/20/23	11/26/93	6.500%	971		990	-1.87%	Principal Payment
Smith Barney	US Govt, Agency,FHLM	3/15/13	05/24/04	5.750%	762,160		705,816	7.98%	Market Value Adjust
Smith Barney	US Govt, Agency,FHLM	7/15/10	05/24/04	4.480%	699,797		691,229	1.24%	Market Value Adjust
Smith Barney	US Govt, Agency,FICO	6/27/11	05/25/04	4.680%	694,092		667,408	4.00%	Market Value Adjust
Smith Barney	US Govt, Agency,FICO	5/30/12	05/25/04	4.900%	732,803		688,650	6.41%	Market Value Adjust
Smith Barney	US Govt, Agency, Tstrip	11/15/14	11/16/09	2.005%	976,105		949,502	2.80%	Market Value Adjust
Edward Jones	US Govt, Agency, FNMA	10/12/22	10/12/07	5.500%	1,013,130		1,020,940	-0.76%	Market Value Adjust
Edward Jones	US Govt, Agency, TNote	4/30/11	04/30/06	4.875%	431,812		444,891	-2.94%	Market Value Adjust
Edward Jones	US Govt, Agency, FHLMC	5/15/26	05/25/06	6.000%	-		423,551	-100.00%	Called
Edward Jones	US Govt, Agency, TVA	10/15/23	10/17/08	5.000%	1,436,852		1,376,403	4.39%	Market Value Adjust
Edward Jones	US Govt, Agency, TVA	5/15/29	05/21/09	4.500%	996,480		960,970	3.70%	Market Value Adjust
Edward Jones	US Govt, Agency, FHLB	1/14/14	01/14/09	2.850%	-		687,413	-100.00%	Called
Edward Jones	US Govt, Agency, FHLMC	9/15/19	09/03/09	4.150%	41,932		41,000	2.27%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, FICO	9/26/19	05/11/09		170,522		144,902	17.68%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, FNMA	10/29/27	11/02/07	5.250%	-		458,418	-100.00%	Called
Stifel, Nicolaus	US Govt, Agency, FNMA	11/5/27	11/09/07	5.250%	-		214,260	-100.00%	Called
Stifel, Nicolaus	US Govt, Agency, FNMA	12/24/27	12/28/07	5.250%	-		1,186,128	-100.00%	Called
Stifel, Nicolaus	US Govt, Agency, FNMA	2/11/28	02/15/08	4.750%	190,179		181,332	4.88%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, FNMA	2/25/28	02/29/08	5.000%	950,000		929,813	2.17%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, Tstrip	11/15/12	06/06/08	3.020%	294,636		280,857	4.91%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, Tstrip	11/15/18	12/01/08	3.550%	330,880		293,164	12.87%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, FHLMC	4/15/24	04/30/09	3.500%	199,942		188,562	6.04%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, FHLMC	10/15/19	10/16/09	3.000%	226,413		225,000	0.63%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, FHLMC	12/15/19	12/24/09	3.000%	156,367		155,000	0.88%	Market Value Adjust
Stifel, Nicolaus	US Govt, Agency, FHLB	11/19/18	05/19/10	3.000%	707,217		-	100.00%	
Stifel, Nicolaus	US Govt, Agency, FHLB	7/14/10	06/29/10	0.400%	1,232,000		-	100.00%	
Subtotal, U.S. Govt.					\$ 16,161,973	53.14%	\$ 16,601,365	-2.65%	

Institution	Type of Investment	Maturity Date	Date Purchased	Yield	06/30/10 \$ Market	% Portfolio	03/31/10 \$ Market
Morgan Stanley	MM	n/a	n/a	0.150%	\$ 8,405		\$ 587
Edward Jones	MM	n/a	n/a	0.010%	\$ 2,500		\$ 239,096
Smith Barney	MM	n/a	n/a	0.050%	\$ 14,764		\$ 5,091
Stifel, Nicolaus	MM			0.040%	\$ 1,961		\$ 27,728
IL Metropolitan Investment Fund	US Govt Pool Fund			0.300%	\$ 257,400		\$ 254,830
Illinois Funds-Money Market	Govt. Pool, IL Funds	n/a	n/a	0.162%	\$ 57,024		\$ 57,009
Illinois Funds-E Pay Account	Govt. Pool, IL Funds	n/a	n/a	0.162%	\$ 11,617		\$ 22,671
Busey Bank	Savings	n/a	n/a	0.170%	\$ 3,640,832		\$ 3,520,040
Subtotal, MM, IPTIP, & Savings					\$ 3,994,503	13.13%	\$ 4,127,053
TOTALS					\$ 30,413,606	100.00%	\$ 29,986,950