

M E M O R A N D U M

TO: Mayor Prussing
Members, Urbana City Council

FROM: Ronald Eldridge, City Comptroller *RME.*

RE: Quarterly Investment Report for Quarter Ended June 30, 2011

DATE: Sep. 12, 2011

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, 2011.

The total amount invested increased 6.5% to \$40,221,292 from last quarter. This increase was mainly due to the receipt of large property tax amounts in May and at the end of June. We will probably maintain this larger cash balance through October, when we will begin reducing this amount for normal expenses.

The average yield is 3.3% on fixed investments (CD's and U.S. Treasury) and 0.1% on short-term money market and savings investments (slightly lower than last quarter). The average outstanding length of maturity time for the fixed investments is 3.0 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.

Experts have revised their opinions and are now predicting that interest rates will remain low for the foreseeable future. (previously, they were expecting rates to rise.) Thus the plan of investing is probably to avoid investing in long term bonds that do not pay a reasonable rate of interest and to continue to invest in a shorter time frame. I would like to fill in gaps in my laddering (thus extending the average length of maturity), but I do not believe this makes sense right now.

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 29%. This was the second excellent year of stock market gains. (although some of this has been given back since June 30). Nevertheless, this return will help mitigate losses that occurred in 2008 and 2009 and will help pension funding requirements greatly and decrease the amount of money the city is required to pay into the funds in the future, thus freeing up this money to alleviate the general fund financing problem.

The City's investment portfolio at June 30, 2011 complies and is in accordance with State laws and the City's investment policies that were approved on November 15, 1999.

| Institution | Type of Investment | Maturity Date | Date | | Yield | 06/30/11 | % | 03/31/11 | % Increase |
|------------------|--------------------|---------------|-----------|--------|-------|------------|-----------|---------------|------------|
| | | | Purchased | | | \$ Market | Portfolio | \$ Market | (Decrease) |
| CIBM Bank | CD | 08/06/11 | 12/06/09 | 2.290% | \$ | 241,112 | | \$ 239,729 | 0.58% |
| Regions Bank | CD | 03/05/13 | 09/05/09 | 3.200% | \$ | 107,183 | | \$ 106,322 | 0.81% |
| PNC Bank | CD | 01/11/12 | 12/11/10 | 0.595% | \$ | 102,103 | | \$ 102,103 | 0.00% |
| Centrue Bank | CD | 05/30/11 | 05/30/09 | 2.390% | \$ | - | | \$ 102,992 | -100.00% |
| Centrue Bank | CD | 05/31/13 | 05/31/11 | 1.300% | \$ | 99,500 | | \$ - | 100.00% |
| Chase Bank | CD | 11/24/13 | 11/24/08 | 4.490% | \$ | 99,953 | | \$ 99,953 | 0.00% |
| First Federal | CD | 11/29/11 | 11/29/10 | 0.600% | \$ | 101,039 | | \$ 101,039 | 0.00% |
| Busey Bank | CD | 04/15/11 | 06/15/10 | 0.750% | \$ | - | | \$ 437,500 | -100.00% |
| Busey Bank | CD | 01/15/12 | 07/17/10 | 1.000% | \$ | 250,000 | | \$ 250,000 | 0.00% |
| Busey Bank | CD | 05/16/11 | 08/16/10 | 0.500% | \$ | - | | \$ 250,000 | -100.00% |
| Busey Bank | CD | 06/09/11 | 09/10/10 | 0.500% | \$ | - | | \$ 250,000 | -100.00% |
| Busey Bank | CD | 07/11/11 | 10/11/10 | 0.500% | \$ | 250,000 | | \$ 250,000 | 0.00% |
| Busey Bank | CD | 07/10/11 | 11/10/10 | 0.400% | \$ | 250,000 | | \$ 250,000 | 0.00% |
| Busey Bank | CD | 08/10/11 | 12/10/10 | 0.400% | \$ | 250,000 | | \$ 250,000 | 0.00% |
| Busey Bank | CD | 02/16/12 | 01/16/11 | 0.550% | \$ | 250,000 | | \$ 250,000 | 0.00% |
| Busey Bank | CD | 03/16/12 | 02/16/11 | 0.550% | \$ | 250,000 | | \$ 250,000 | 0.00% |
| Busey Bank | CD | 04/16/12 | 02/16/11 | 0.550% | \$ | 199,443 | | \$ 199,443 | 0.00% |
| Busey Bank | CD | 05/16/12 | 03/16/11 | 0.550% | \$ | 224,034 | | \$ 224,034 | 0.00% |
| Busey Bank | CD | 06/16/12 | 03/16/11 | 0.550% | \$ | 224,034 | | \$ 224,034 | 0.00% |
| Busey Bank | CD | 05/15/12 | 04/19/11 | 0.550% | \$ | 440,240 | | \$ - | 100.00% |
| Busey Bank | CD | 07/16/12 | 05/18/11 | 0.450% | \$ | 250,001 | | \$ - | 100.00% |
| Busey Bank | CD | 08/10/12 | 06/10/11 | 0.450% | \$ | 250,000 | | \$ - | 100.00% |
| 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 | 12/05/14 | 12/05/07 | 5.000% | \$ | 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 | -100.00% |
| Smith Barney | CD | 09/03/13 | 09/03/10 | 1.500% | \$ | 150,000 | | \$ 150,000 | 0.00% |
| Smith Barney | CD | 03/02/12 | 09/02/10 | 0.600% | \$ | 245,000 | | \$ 245,000 | 0.00% |
| Smith Barney | CD | 09/02/14 | 09/01/10 | 1.300% | \$ | 244,000 | | \$ 244,000 | 0.00% |
| Smith Barney | CD | 06/17/14 | 06/17/11 | 1.400% | \$ | 245,000 | | \$ - | 100.00% |
| Stifel, Nicolaus | CD | 06/27/11 | 06/26/09 | 2.250% | \$ | - | | \$ 250,000 | -100.00% |
| Stifel, Nicolaus | CD | 09/04/12 | 09/02/09 | 2.500% | \$ | 250,000 | | \$ 250,000 | 0.00% |
| Stifel, Nicolaus | CD | 05/28/13 | 05/27/09 | 3.350% | \$ | 245,000 | | \$ 245,000 | 0.00% |
| Stifel, Nicolaus | CD | 12/10/13 | 12/10/08 | 4.750% | \$ | 98,000 | | \$ 98,000 | 0.00% |
| Stifel, Nicolaus | CD | 12/12/13 | 12/12/08 | 4.850% | \$ | 100,000 | | \$ 100,000 | 0.00% |
| Stifel, Nicolaus | CD | 06/30/14 | 06/29/09 | 4.000% | \$ | 95,000 | | \$ 95,000 | 0.00% |
| Stifel, Nicolaus | CD | 06/15/11 | 06/17/10 | 0.550% | \$ | - | | \$ 250,000 | -100.00% |
| Stifel, Nicolaus | CD | 12/20/11 | 06/20/11 | 0.500% | \$ | 250,000 | | \$ - | 100.00% |
| Stifel, Nicolaus | CD | 12/29/11 | 06/29/11 | 0.350% | \$ | 250,000 | | \$ - | 100.00% |
| Stifel, Nicolaus | CD | 12/28/11 | 06/28/11 | 0.300% | \$ | 35,000 | | \$ - | 100.00% |
| 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% |
| Edward Jones | CD | 04/28/11 | 04/28/10 | 0.700% | \$ | - | | \$ 248,000 | -100.00% |
| Edward Jones | CD | 10/31/11 | 04/30/10 | 0.850% | \$ | 248,000 | | \$ 248,000 | 0.00% |
| Edward Jones | CD | 11/07/11 | 05/07/10 | 0.850% | \$ | 249,000 | | \$ 249,000 | 0.00% |
| Morgan Stanley | CD | 06/30/11 | 06/30/08 | 4.300% | \$ | - | | \$ 98,000 | -100.00% |
| Morgan Stanley | CD | 12/27/11 | 06/24/09 | 2.500% | \$ | 247,000 | | \$ 247,000 | 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% |
| Morgan Stanley | CD | 03/11/13 | 09/10/10 | 0.850% | \$ | 188,000 | | \$ 188,000 | 0.00% |
| Morgan Stanley | CD | 11/30/11 | 12/01/10 | 0.350% | \$ | 249,000 | | \$ 249,000 | 0.00% |
| Morgan Stanley | CD | 01/14/13 | 01/12/11 | 0.750% | \$ | 240,000 | | \$ 240,000 | 0.00% |
| Morgan Stanley | CD | 01/12/15 | 01/12/11 | 1.500% | \$ | 235,000 | | \$ 235,000 | 0.00% |
| Subtotal, CD's | | | | | \$ | 10,516,643 | 26.15% | \$ 10,913,150 | -3.63% |

| Institution | Type of Investment | Maturity Date | Date Purchased | Yield | 06/30/11 \$ Market | % Portfolio | 03/31/11 \$ Market | % Increase (Decrease) |
|----------------------|------------------------------|---------------|----------------|--------|--------------------|-------------|--------------------|-----------------------|
| Morgan Stanley | US Govt, Agency, Tstrip | 5/15/11 | 05/26/04 | 4.310% | - | | 671,617 | -100.00% |
| Morgan Stanley | US Govt, Agency, Tstrip | 11/15/16 | 11/18/08 | 4.220% | 1,746,571 | | 1,665,659 | 4.86% |
| Morgan Stanley | US Govt, Agency, FHLM | 1/30/14 | 05/15/09 | 5.000% | 608,773 | | 618,409 | -1.56% |
| Morgan Stanley | US Govt, Agency, FHLM | 11/24/14 | 01/27/09 | 3.210% | 567,440 | | 539,632 | 5.15% |
| Morgan Stanley | US Govt, Agency, Tstrip | 8/15/13 | 05/19/11 | 0.545% | 696,942 | | - | 100.00% |
| Morgan Stanley | US Govt, Agency, Tbill | 10/20/11 | 06/29/11 | | 104,988 | | - | 100.00% |
| Smith Barney | US Govt, Agency, GNMA | 10/20/23 | 11/26/93 | 6.500% | 8,810 | | 8,711 | 1.14% |
| Smith Barney | US Govt, Agency, GNMA | 11/20/23 | 11/26/93 | 6.500% | 727 | | 797 | -8.77% |
| Smith Barney | US Govt, Agency, Tstrip | 11/15/14 | 11/16/09 | 2.005% | 1,011,918 | | 976,105 | 3.67% |
| Smith Barney | US Govt, Agency, FICO | 6/27/11 | 05/25/04 | 4.680% | - | | 694,092 | -100.00% |
| Smith Barney | US Govt, Agency, FICO | 5/30/12 | 05/25/04 | 4.900% | 745,268 | | 732,803 | 1.70% |
| Smith Barney | US Govt, Agency, FHLM | 3/15/13 | 05/24/04 | 5.750% | 787,424 | | 762,160 | 3.31% |
| Smith Barney | US Govt, Agency, Tstrip | 11/15/13 | 08/26/10 | 0.481% | \$ 179,343 | | \$ 179,210 | 0.07% |
| Edward Jones | US Govt, Agency, TNote | 4/30/11 | 04/30/06 | 4.875% | - | | 431,812 | -100.00% |
| Edward Jones | US Govt, Agency, FHLMC | 9/15/19 | 09/03/09 | 4.150% | 41,345 | | 41,932 | -1.40% |
| Edward Jones | US Govt, Agency, Tstrip | 11/15/12 | 11/23/10 | 0.421% | 550,559 | | 547,423 | 0.57% |
| Edward Jones | US Govt, FFCB | 11/24/25 | 11/24/10 | 4.000% | 538,750 | | 548,237 | -1.73% |
| Edward Jones | US Govt, Agency, FHLB | 8/18/14 | 05/18/11 | 1.320% | 963,557 | | - | 100.00% |
| Edward Jones | US Govt, Agency, TVA | 10/15/23 | 10/17/08 | 5.000% | 1,428,293 | | 1,436,852 | -0.60% |
| Edward Jones | US Govt, Agency, TVA | 5/15/29 | 05/21/09 | 4.500% | 991,030 | | 996,480 | -0.55% |
| Stifel, Nicolaus | US Govt, Agency, Tstrip | 11/15/12 | 06/06/08 | 3.020% | 298,842 | | 294,636 | 1.43% |
| Stifel, Nicolaus | US Govt, Agency, Tstrip | 11/15/18 | 12/01/08 | 3.550% | 343,228 | | 330,880 | 3.73% |
| Stifel, Nicolaus | US Govt, Agency, FICO | 9/26/19 | 05/11/09 | | 182,779 | | 170,522 | 7.19% |
| Stifel, Nicolaus | US Govt, Agency, FHLMC | 9/15/20 | 09/02/10 | 2.000% | 968,640 | | 1,000,000 | -3.14% |
| Stifel, Nicolaus | US Govt, Agency, FHLB | 5/18/12 | 08/27/10 | 1.125% | 528,733 | | 531,998 | -0.61% |
| Stifel, Nicolaus | Bond | 2/15/13 | 08/31/10 | 0.819% | 537,283 | | 534,132 | 0.59% |
| Stifel, Nicolaus | US Govt, Agency, FICO | 12/27/13 | 08/27/10 | 1.160% | 535,293 | | 529,204 | 1.15% |
| Stifel, Nicolaus | US Govt, Agency, FHLB | 11/17/14 | 11/23/10 | 0.700% | 951,558 | | 951,193 | 0.04% |
| Stifel, Nicolaus | US Govt, Agency, FHLMC Strip | 3/15/26 | 03/04/11 | 4.900% | 111,791 | | 108,626 | 2.91% |
| Stifel, Nicolaus | Revenue Bonds | 1/1/24 | 12/14/10 | 5.900% | 418,768 | | 400,000 | 4.69% |
| Stifel, Nicolaus | Revenue Bonds | 1/1/25 | 12/14/10 | 6.050% | 419,488 | | 400,000 | 4.87% |
| Stifel, Nicolaus | Revenue Bonds | 1/1/26 | 12/14/10 | 6.200% | 420,204 | | 400,000 | 5.05% |
| Stifel, Nicolaus | Revenue Bonds | 1/1/27 | 12/14/10 | 6.400% | 422,524 | | 400,000 | 5.63% |
| Stifel, Nicolaus | Revenue Bonds | 1/1/28 | 12/14/10 | 6.600% | 424,828 | | 400,000 | 6.21% |
| Stifel, Nicolaus | US Govt, Agency, FHLMC | 12/15/25 | 12/23/10 | 4.000% | 160,106 | | 160,000 | 0.07% |
| Subtotal, U.S. Govt. | | | | | \$ 17,695,803 | 44.00% | \$ 17,463,121 | 1.33% |

| Institution | Type of Investment | Maturity Date | Date Purchased | Yield | 06/30/11 \$ Market | % Portfolio | 03/31/11 \$ Market | % Increase (Decrease) |
|---------------------------------|----------------------|---------------|----------------|--------|-----------------------|----------------|-----------------------|--------------------------|
| Morgan Stanley | MM | n/a | n/a | 0.120% | \$ 2,294 | | \$ 17,814 | -87.12% |
| Edward Jones | MM | n/a | n/a | 0.010% | \$ 41,671 | | \$ 15,020 | 177.44% |
| Smith Barney | MM | n/a | n/a | 0.010% | \$ 744,021 | | \$ 180,524 | 312.14% |
| Stifel, Nicolaus | MM | | | 0.030% | \$ 1,946 | | \$ 14,659 | -86.72% |
| IL Metropolitan Investment Fund | US Govt Pool Fund | | | 0.010% | \$ 260,067 | | \$ 258,632 | 0.55% |
| Illinois Funds-Money Market | Govt. Pool, IL Funds | n/a | n/a | 0.037% | \$ 490,172 | | \$ 388,472 | 26.18% |
| Illinois Funds-E Pay Account | Govt. Pool, IL Funds | n/a | n/a | 0.037% | \$ 6,127 | | \$ 15,709 | -61.00% |
| Busey Bank | Savings | n/a | n/a | 0.040% | \$ 10,462,548 | | \$ 8,483,717 | 23.33% |
| Subtotal, MM, IPTIP, & Savings | | | | | \$ 12,008,846 | 29.86% | \$ 9,374,547 | 28.10% |
| TOTALS | | | | | \$ 40,221,292 | 100.00% | \$ 37,750,819 | 6.54% |