

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 Sep. 30, 2011

DATE: Oct. 26, 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 Sep. 30, 2011.

The total amount invested increased a small amount (0.8%) to \$40,530,184 from last quarter. Although the City received property tax during this quarter, we also have some large expenses (\$700K for UC2B). We will begin to reduce this amount for normal expenses over the next 6 months.

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 (same as last quarter). The average outstanding length of maturity time for the fixed investments is 2.9 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.

Investment experts are continuing to predict that interest rates will remain low for the foreseeable future. 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. All 3 of these pension funds had an excellent stock market return for the fiscal year ended June 30. This was the second excellent year of stock market gains. These returns have helped reduce pension funding requirements greatly, thus freeing up this money to alleviate the general fund financing problem.

The City's investment portfolio at Sep. 30, 2011 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>09/30/11 \$ Market</u>	<u>% Portfolio</u>	<u>06/30/11 \$ Market</u>	<u>% Increase (Decrease)</u>	<u>Reason for Change</u>
CIBM Bank	CD	08/06/11	12/06/09	2.290%	\$ -		\$ 241,112	-100.00%	Maturity
CIBM Bank	CD	08/06/13	08/06/11	0.850%	\$ 242,035		\$ -	100.00%	Purchase
Regions Bank	CD	03/05/13	09/05/09	3.200%	\$ 108,051		\$ 107,183	0.81%	Accrued Interest
PNC Bank	CD	01/11/12	12/11/10	0.595%	\$ 102,103		\$ 102,103	0.00%	
Centrue Bank	CD	05/31/13	05/31/11	1.300%	\$ 99,500		\$ 99,500	0.00%	
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	01/15/12	07/17/10	1.000%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	04/12/12	07/11/11	0.300%	\$ 250,000			100.00%	Purchase
Busey Bank	CD	07/11/11	10/11/10	0.500%	\$ -		\$ 250,000	-100.00%	Maturity
Busey Bank	CD	07/10/11	11/10/10	0.400%	\$ -		\$ 250,000	-100.00%	Maturity
Busey Bank	CD	08/10/11	12/10/10	0.400%	\$ -		\$ 250,000	-100.00%	Maturity
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		\$ 440,240	0.00%	
Busey Bank	CD	07/16/12	05/18/11	0.450%	\$ 250,001		\$ 250,001	0.00%	
Busey Bank	CD	08/10/12	06/10/11	0.450%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	09/10/12	07/12/11	0.450%	\$ 250,000			100.00%	Purchase
Busey Bank	CD	10/10/12	08/10/11	0.450%	\$ 250,000			100.00%	Purchase
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	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		\$ 245,000	0.00%	
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	12/20/11	06/20/11	0.500%	\$ 250,000		\$ 250,000	0.00%	
Stifel, Nicolaus	CD	12/29/11	06/29/11	0.350%	\$ 250,000		\$ 250,000	0.00%	
Stifel, Nicolaus	CD	12/28/11	06/28/11	0.300%	\$ 35,000		\$ 35,000	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	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	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	-100.00%	CD called early
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					\$ 10,271,434	25.34%	\$ 10,516,643	-2.33%	

Institution	Type of Investment	Maturity Date	Date Purchased	Yield	09/30/11 \$ Market	% Portfolio	06/30/11 \$ Market	% Increase (Decrease)	Reason for Change
Morgan Stanley	US Govt, Agency,Tstrip	11/15/16	11/18/08	4.220%	1,746,571		1,746,571	0.00%	
Morgan Stanley	US Govt, Agency,FHLM	1/30/14	05/15/09	5.000%	608,773		608,773	0.00%	
Morgan Stanley	US Govt, Agency,FHLM	11/24/14	01/27/09	3.210%	567,440		567,440	0.00%	
Morgan Stanley	US Govt, Agency,Tstrip	8/15/13	05/19/11	0.545%	696,942		696,942	0.00%	
Morgan Stanley	US Govt, Agency,Tbill	10/20/11	06/29/11		104,988		104,988	0.00%	
Smith Barney	US Govt, Agency, GNMA	10/20/23	11/26/93	6.500%	8,673		8,810	-1.55%	Principal Payments
Smith Barney	US Govt, Agency, GNMA	11/20/23	11/26/93	6.500%	697		727	-4.08%	Principal Payments
Smith Barney	US Govt, Agency, Tstrip	11/15/14	11/16/09	2.005%	1,011,918		1,011,918	0.00%	
Smith Barney	US Govt, Agency,FICO	5/30/12	05/25/04	4.900%	745,268		745,268	0.00%	
Smith Barney	US Govt, Agency,FHLM	3/15/13	05/24/04	5.750%	787,424		787,424	0.00%	
Smith Barney	US Govt, Agency, Tstrip	11/15/13	08/26/10	0.481%	\$ 179,343		\$ 179,343	0.00%	
Edward Jones	US Govt, Agency,FHLMC	9/15/19	09/03/09	4.150%	-		41,345	-100.00%	Called/Sold
Edward Jones	US Govt, Agency, Tstrip	11/15/12	11/23/10	0.421%	550,559		550,559	0.00%	
Edward Jones	US Govt, FFCB	11/24/25	11/24/10	4.000%	538,750		538,750	0.00%	
Edward Jones	US Govt, Agency, FHLB	8/18/14	05/18/11	1.320%	963,557		963,557	0.00%	
Edward Jones	US Govt, Agency,TVA	10/15/23	10/17/08	5.000%	1,428,293		1,428,293	0.00%	
Edward Jones	US Govt, Agency,TVA	5/15/29	05/21/09	4.500%	991,030		991,030	0.00%	
Stifel, Nicolaus	US Govt, Agency,Tstrip	11/15/12	06/06/08	3.020%	-		298,842	-100.00%	Called/Sold
Stifel, Nicolaus	US Govt, Agency,Tstrip	11/15/18	12/01/08	3.550%	343,228		343,228	0.00%	
Stifel, Nicolaus	US Govt, Agency,Tstrip	11/15/21	08/10/11	2.506%	348,512			100.00%	Purchase
Stifel, Nicolaus	US Govt, Agency,FICO	9/26/19	05/11/09		182,779		182,779	0.00%	
Stifel, Nicolaus	US Govt, Agency, FHLMC	9/15/20	09/02/10	2.000%	968,640		968,640	0.00%	
Stifel, Nicolaus	US Govt, Agency,FHLB	5/18/12	08/27/10	1.125%	528,733		528,733	0.00%	
Stifel, Nicolaus	Bond	2/15/13	08/31/10	0.819%	537,283		537,283	0.00%	
Stifel, Nicolaus	US Govt, Agency,FICO	12/27/13	08/27/10	1.160%	535,293		535,293	0.00%	
Stifel, Nicolaus	US Govt, Agency,FHLB	11/17/14	11/23/10	0.700%	951,558		951,558	0.00%	
Stifel, Nicolaus	US Govt, Agency,FHLMC Strip	3/15/26	03/04/11	4.900%	111,791		111,791	0.00%	
Stifel, Nicolaus	Revenue Bonds	1/1/24	12/14/10	5.900%	418,768		418,768	0.00%	
Stifel, Nicolaus	Revenue Bonds	1/1/25	12/14/10	6.050%	419,488		419,488	0.00%	
Stifel, Nicolaus	Revenue Bonds	1/1/26	12/14/10	6.200%	420,204		420,204	0.00%	
Stifel, Nicolaus	Revenue Bonds	1/1/27	12/14/10	6.400%	422,524		422,524	0.00%	
Stifel, Nicolaus	Revenue Bonds	1/1/28	12/14/10	6.600%	424,828		424,828	0.00%	
Stifel, Nicolaus	US Govt, Agency, FHLMC	12/15/25	12/23/10	4.000%	160,106		160,106	0.00%	
Subtotal, U.S. Govt.					\$ 17,703,961	43.68%	\$ 17,695,803	0.05%	

Institution	Type of Investment	Maturity Date	Date Purchased	Yield	09/30/11 \$ Market	% Portfolio	06/30/11 \$ Market	% Increase (Decrease)	Reason for Change
Morgan Stanley	MM	n/a	n/a	0.020%	\$ 270,915		\$ 2,294	11710.85%	1 called CD, interest on investments
Edward Jones	MM	n/a	n/a	0.010%	\$ 93,867		\$ 41,671	125.26%	1 sale/call, interest on investments
Smith Barney	MM	n/a	n/a	0.010%	\$ 748,541		\$ 744,021	0.61%	Interest on investments
Stifel, Nicolaus	MM			0.050%	\$ 34,411		\$ 1,946	1668.24%	1 sale, 1 purchase, interest on nvestments
IL Metropolitan Investment Fund	US Govt Pool Fund			0.280%	\$ 260,778		\$ 260,067	0.27%	Interest
Illinois Funds-Money Market	Govt. Pool, IL Funds	n/a	n/a	0.046%	\$ 60,470		\$ 490,172	-87.66%	State Revenue Payments, \$4.3 M Tfr to Busey MM
Illinois Funds-E Pay Account	Govt. Pool, IL Funds	n/a	n/a	0.046%	\$ 3,723		\$ 6,127	-39.23%	Credit Card Payments, \$49,000 Tfr to Busey MM
Busey Bank	Savings	n/a	n/a	0.030%	\$ 11,082,084		\$ 10,462,548	5.92%	Regular Bill Paying, \$2.70 M Real Estate Taxes, Tfr from IL funds (above)
Subtotal, MM, IPTIP, & Savings					\$ 12,554,789	30.98%	\$ 12,008,846	4.55%	
TOTALS					\$ 40,530,184	100.00%	\$ 40,221,292	0.77%	