



**CITY OF LOVELAND**  
CITY MANAGER'S OFFICE

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**AGENDA ITEM:** 17  
**MEETING DATE:** 7/2/2013  
**TO:** City Council  
**FROM:** Alan Krcmarik, Executive Fiscal Advisor  
**PRESENTER:** Alan Krcmarik

**TITLE:** Investment Report for May 2013

**RECOMMENDED CITY COUNCIL ACTION:** This is an information only item. No Council action is required.

**DESCRIPTION:** The budget estimate for investment earnings for 2013 is \$2,760,420. Through May, the amount posted to the investment account is \$563,880 including realized gains. Actual year-to-date earnings are much lower than the budget projection. In May several high interest rate corporate bonds matured. The estimated annualized yield on securities held by USBank decreased to 0.88% at the end of May, lower than the 1.04% yield reported at the end of April and also under the annual target rate of 1.20% for 2013. Reinvestment rates have risen recently after being at near record low levels. Current reinvestment rates are lower than the budget projection target.

**SUMMARY:** At the end of May the City's portfolio had an estimated market value of \$220.7 million, about \$1.5 million more than a month ago. Of this amount, USBank held (including accrued interest) \$185.8 million in trust accounts; other funds are held in local government investment pools, in operating accounts at WellsFargo Bank, and a few miscellaneous accounts. Interest rates trended significantly lower in 2012 and despite an upward move upward in the last few weeks; they are projected to remain relatively low for years. Investments are in US Treasury Notes, high-rated US Agency Bonds, high-rated corporate bonds, money market accounts, and local government investment pools. The City's investment strategy emphasizes safety of principal, then sufficient liquidity to meet cash needs, and finally, return on investment. Each percent of earnings on the portfolio equates to about \$2.2 million annually.

**REVIEWED BY CITY MANAGER:**

*William D. Cahill*

**LIST OF ATTACHMENTS:** Investment Focus May 2013

# Investment Focus

Monthly Investment Report

May 2013

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## Focal Points

- \* 2013 targets for the City's portfolio: 1) the interest rate target is 1.2%; 2) the earnings goal = \$2,760,420.
- \* City investments are in high quality, low risk securities, in compliance with state law and the adopted investment policy.
- \* Revenue posted to accounts - \$563,880 - 49% of the ytd target. So far this year, the portfolio has \$50,650 in realized gains.
- \* Each 1% of the total portfolio amounts to about \$2.2 million.
- \* The month end market value shows the unrealized loss was lower, estimated to be \$1,235,364 at the end of May.