

M E M O R A N D U M

TO: Mayor Prussing
Members, Urbana City Council

FROM: Ronald Eldridge, City Comptroller *Ran E.*

RE: Quarterly Investment Report for Quarter Ended Dec. 31, 2011

DATE: Feb. 12, 2012

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, 2011.

The total amount invested decreased \$1.7 million to a total of \$38,806,511 from the balance last quarter. This decrease is mostly due to payment of large construction bills from last construction season and the fact that the next significant amount of property tax payments will not be received till spring. I believe this reduction is normal for this quarter. We will probably continue to reduce this amount for normal expenses over the next 5 months, until property taxes are received in June.

The average yield is 2.6% on fixed investments (CD's and U.S. Treasury) and 0.1% on short-term money market and savings investments. The average outstanding length of maturity time for the fixed investments is 2.7 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.

The Federal Reserve Bank has indicated 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. If I do buy longer term bonds, the rate will have to be large enough that I would feel comfortable. This means I will have to pay a premium for this higher rate. I will do this if the security has adequate call protections. 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 (average of 30% return on stock portion of their investments). 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 pension funds have given back about 6% of this return in the 6 months from 6/30 to 12/31.

The City's investment portfolio at Dec. 31, 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 Purchased	Yield	12/31/11	%	09/30/11	% Increase	Reason for
					\$ Market	Portfolio	\$ Market	(Decrease)	Change
CIBM Bank	CD	08/06/13	08/06/11	0.850%	\$ 242,554		\$ 242,035	0.21%	Accrued Interest
Regions Bank	CD	03/05/13	09/05/09	3.200%	\$ 108,916		\$ 108,051	0.80%	Accrued Interest
PNC Bank	CD	01/11/12	01/11/10	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	-100.00%	Maturity
First Federal	CD	05/30/13	11/29/11	0.500%	\$ 101,749		\$ -	100.00%	Purchase
Busey Bank	CD	01/15/12	07/17/10	1.000%	\$ 250,000		\$ 250,000	0.00%	
Busey Bank	CD	04/11/12	07/11/11	0.300%	\$ 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		\$ 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		\$ 250,000	0.00%	
Busey Bank	CD	10/10/12	08/10/11	0.450%	\$ 250,000		\$ 250,000	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	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	-100.00%	Maturity
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%	
Smith Barney	CD	05/03/13	11/03/11	0.750%	\$ 245,000		\$ -	100.00%	Purchase
Smith Barney	CD	05/03/13	11/03/11	0.700%	\$ 245,000		\$ -	100.00%	Purchase
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	-100.00%	Maturity
Stifel, Nicolaus	CD	12/29/11	06/29/11	0.350%	\$ -		\$ 250,000	-100.00%	Maturity
Stifel, Nicolaus	CD	12/28/11	06/28/11	0.300%	\$ -		\$ 35,000	-100.00%	Maturity
Stifel, Nicolaus	CD	12/29/15	12/28/11	1.600%	\$ 250,000		\$ -	100.00%	Purchase
Stifel, Nicolaus	CD	12/30/13	12/30/11	1.100%	\$ 250,000		\$ -	100.00%	Purchase
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	-100.00%	Maturity
Edward Jones	CD	11/07/11	05/07/10	0.850%	\$ -		\$ 249,000	-100.00%	Maturity
Morgan Stanley	CD	12/27/11	06/24/09	2.500%	\$ -		\$ 247,000	-100.00%	Maturity
Morgan Stanley	CD	10/28/11	10/28/09	2.000%	\$ -		\$ 200,000	-100.00%	Maturity
Morgan Stanley	CD	10/28/11	10/28/09	1.950%	\$ -		\$ 179,000	-100.00%	Maturity
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	-100.00%	Maturity
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	-100.00%	Maturity
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%	
Morgan Stanley	CD	09/04/12	11/03/11	0.250%	\$ 249,000		\$ -	100.00%	Purchase
Morgan Stanley	CD	02/19/13	11/16/11	0.450%	\$ 248,000		\$ -	100.00%	Purchase
Morgan Stanley	CD	05/08/13	11/09/11	0.450%	\$ 246,000		\$ -	100.00%	Purchase
Morgan Stanley	CD	12/05/12	12/07/11	0.400%	\$ 249,000		\$ -	100.00%	Purchase
Morgan Stanley	CD	12/17/12	11/16/11	0.500%	\$ 248,000		\$ -	100.00%	Purchase
Subtotal, CD's					\$ 10,245,527	26.40%	\$ 10,271,434	-0.25%	

Institution	Type of Investment	Maturity Date	Date		Yield	12/31/11	%	09/30/11	% Increase (Decrease)	Reason for Change
			Purchased			\$ Market	Portfolio	\$ Market		
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	-100.00%	Maturity
Smith Barney	US Govt, Agency, GNMA	10/20/23	11/26/93		6.500%	8,527		8,673	-1.69%	Principal Payments
Smith Barney	US Govt, Agency, GNMA	11/20/23	11/26/93		6.500%	641		697	-8.13%	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%	
Smith Barney	US Govt, Agency, FICO	09/07/18	10/31/11		9.650%	\$ 174,369		\$ -	100.00%	Purchase
Smith Barney	US Govt, Agency, FICO	10/05/18	10/31/11		9.700%	\$ 85,398		\$ -	100.00%	Purchase
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	-100.00%	Called/Sold
Edward Jones	US Govt, Agency, TVA	5/15/29	05/21/09		4.500%	991,030		991,030	0.00%	
Edward Jones	US Govt, FFCB	11/2/40	11/02/11		4.010%	750,005		-	100.00%	Purchase
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		348,512	0.00%	
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	-100.00%	Called/Sold
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	-100.00%	Called/Sold
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	-100.00%	Called/Sold
Stifel, Nicolaus	US Govt, Agency, FHLB	11/25/26	11/25/11		2.250%	987,530		-	100.00%	Purchase
Stifel, Nicolaus	US Govt, Agency, FNMA	10/19/26	12/15/11		2.000%	800,155		-	100.00%	Purchase
Stifel, Nicolaus	US Govt, Agency, FNMA	11/23/26	12/15/11		2.000%	360,605		-	100.00%	Purchase
Subtotal, U.S. Govt.						\$ 17,248,235	44.45%	\$ 17,703,961	-2.57%	

Institution	Type of Investment	Maturity Date	Date Purchased	Yield	12/31/11 \$ Market	% Portfolio	09/30/11 \$ Market	% Increase (Decrease)	Reason for Change
Morgan Stanley	MM	n/a	n/a	0.020%	\$ 269,582		\$ 270,915	-0.49%	6 maturities, 5 purchases, interest on investments
Edward Jones	MM	n/a	n/a	0.010%	\$ 1,331,650		\$ 93,867	1318.66%	2 maturities, 1 sale/called, 1 purchase, interest on investments
Smith Barney	MM	n/a	n/a	0.010%	\$ 110,329		\$ 748,541	-85.26%	1 maturity, 4 purchases, interest on investments
Stifel, Nicolaus	MM			0.010%	\$ 53,980		\$ 34,411	56.87%	3 maturities, 3 sales/called, 5 purchases, interest on investments
IL Metropolitan Investment Fund	US Govt Pool Fund			0.280%	\$ 260,970		\$ 260,778	0.07%	Interest
Illinois Funds-Money Market	Govt. Pool, IL Funds	n/a	n/a	0.077%	\$ 1,237,273		\$ 60,470	1946.10%	State Revenue Payments, \$2.2 M Tfr to Busey MM
Illinois Funds-E Pay Account	Govt. Pool, IL Funds	n/a	n/a	0.077%	\$ 68,925		\$ 3,723	1751.13%	Credit Card Payments (Parking Tickets, Recycle)
Busey Bank	Savings	n/a	n/a	0.020%	\$ 7,980,038		\$ 11,082,084	-27.99%	Regular Bill Paying, Tfr from IL funds (above)
Subtotal, MM, IPTIP, & Savings					\$ 11,312,748	29.15%	\$ 12,554,789	-9.89%	
TOTALS					\$ 38,806,511	100.00%	\$ 40,530,184	-4.25%	