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CITY OF SACRAMENTO

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CITY MANAGER'S OFFICE  
**RECEIVED**  
APR 15 1980

THOMAS P. FRIERY  
TREASURER  
DONALD E. SPERLING  
ASST. TREASURER

April 12, 1980

**FILED**  
By the City Council  
Office of the City Clerk

City Council  
Sacramento, California

Honorable Members in Session

APR 22 1980

SUBJECT: "Annual Report - New Investment Program"  
RE: Correspondence dated 1-15-79, T. P. Friery to City Council

SUMMARY

For the calendar year ending December 31, 1979 the Office of the City Treasurer purchased a total of \$95.8 million Par Value of Negotiable CD's (CD's) and Commercial Paper (CP), that had a weighted average life of 128 days and produced \$3,870,138.74 of investment income which was equivalent to a weighted average yield of 11.519 per cent.

The CD's and CP were described to City Council in January, 1979 as a new investment program that would be implemented by the Office of the City Treasurer for city funds. This new investment program produced additional gross investment income in the first year of \$211,221.98 more than what would have been earned had the new investment program not been implemented. The additional gross investment income was equivalent to +.628 per cent greater yield on the overall funds invested.

It is estimated that the first year's costs of this program were \$7,000. Further, subsequent annual costs are estimated at \$5,000 annually.

In the future, the Office of the City Treasurer will apprise City Council annually of the results of this new investment program. However, records of status are available on request.

BACKGROUND

In January 1979, the Office of the City Treasurer advised City Council that as a result of expanded investment authority for local governments, a new investment program involving Negotiable Certificates of Deposit, (CD's) and Commercial Paper (CP) would be implemented for city funds. At the time of advice the Office of the City Treasurer estimated that these new investment vehicles would produce one-fourth to one-half of 1 per cent greater investment income than other authorized investment vehicles previously purchased by the City Treasurer, and would generate approximately \$94 to \$188 thousand of additional investment income annually.

For the calendar year ending December 31, 1979 the Office of the City Treasurer purchased 46 blocks of CD's and CP which totalled \$95.8 million. These investments had a weighted average life of 128 days and produced a weighted average yield of 11.519 per cent which was equivalent to \$3,870,138.74 in interest income.

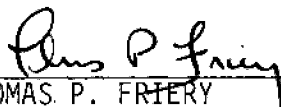
At the end of each month in 1979 the Office of the City Treasurer advised City Council of the CD's and CP purchased as well as the highest yielding alternative authorized investment that would have been purchased had the new investment program not been implemented. In total, the alternative investments would have produced a weighted average yield of 10.891 per cent or \$3,658,916.76 in investment income.

Therefore, the new investment program provided a gross increase in yield of .628 per cent or \$211,221.98 of additional income for calendar year 1979. It is estimated that the first year's cost incurred in implementing this program was \$7,000. Included in this amount was a one-time cost of \$2,000 for an investment calculator and research material. In addition, it is estimated that approximately 40 hours per month are required of staff time to analyze financial statements of issuers of these investment vehicles to determine their credit worthiness for city investment.

Further, it is estimated that \$5,000 per year will be required on an ongoing basis to continue this program. This cost is considered to be the staff time of the Associate Investment Officer which will be devoted to continual financial analysis of the issuers of CD's and CP.


In the future, the Office of the City Treasurer will apprise City Council of the results of the CD's and CP program on an annual basis as opposed to monthly. However, records of status will be available on request.

Respectfully submitted,

  
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THOMAS P. FRIERY  
CITY TREASURER

COUNCIL AGENDA APRIL 22, 1980

FOR COUNCIL INFORMATION ONLY:

  
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Walter J. Slupe  
City Manager

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