

MEMORANDUM

To: Dana Foster, City Manager

From: Kelly LaLonde, Finance Director



Date: October 25, 2011

Subject: The City's Quarterly Investment Report as of September 30, 2011

Attached you will find the City's Quarterly Investment Report as of September 30, 2011.

In comparison to the quarter ended June 30, 2011, the City's total investment/bank balance has increased by \$4,493,009 or 156% to \$7,367,672, which is generally indicative of the fact that the majority of the City's tax revenue levied is collected in the first quarter of the fiscal year, while expenditures are relatively more constant throughout the year. In comparison to the same quarter a year ago, i.e., the quarter ended September 30, 2010, the City's total investment/bank balance has decreased by \$228,870 or 3%.


In comparison to the quarter ended June 30, 2011, the City's average rate of return on investments has decreased from 0.51% to 0.42%. The decrease is reflective of lower rates of return than the previous quarter. The City continues to earn more than the benchmark 3-month Treasury Bill Rate and Fed Funds Rate.

Since June 30, 2011, the City's investment in FDIC insured CD's increased by \$3,351,000. The City's collateralized deposits/investments with JP Morgan Chase Bank totaled approximately \$2,463,648 or approximately 33% of the City's overall portfolio.

Attached you will find a quarterly investment report prepared by the City Treasurer, per the recently updated Investment Policy. We continue to work within the primary objectives of the City's Investment Policy, which, in priority order, are; safety, liquidity and return on investment.

Let me know if you have any questions.

MEMO

To: City Council
From: Fern Jackson, Treasurer 
Subject: 3rd Quarter investment report
Date: October 24, 2011

The City of Brighton invested in 18 certificates of deposits with various Michigan banks with a 1-year maturity or less. This has an effect of spreading the risk of FDIC insurance to \$250,000 per institution and provides better coverage in case of a bank default. Each bank carries the maximum of \$250,000 per savings or checking account or certificate of deposit.

The interest rates of these certificates range from .40% to a maximum of .80% and varies in amount from \$100,000 to \$250,000. Laddering the investments out provides an on going steady interest income, which is an additional revenue to the City budget. This also protects the interest revenue from market declines in the money market accounts. Most of the certificates were purchased from the general fund, \$2,200,000.00, which is from the tax revenue received from the tax bills due August 15 of each year. One \$100,000 certificate of deposit was purchased for the sewer fund. All the local jurisdictions have been paid from the collections received every 2 weeks as required by State law.

We continue to see low interest rates as the Federal Reserve pledged for the first time in their last meeting in August to keep its benchmark interest rate at a record lows at least through mid-2013 to revive the economy. This in turn produces very low CD rates for our interest income revenue. The Federal Reserve announced plans to buy \$400 billion of long-term debt and said there are "significant downside risks" to the economic outlook. September's meeting produced an increase in 10-year treasuries as the Federal Open Market Committee employed the "Operation Twist". This program should put downward pressure on longer-term interest rates and help make broader financial conditions more accommodating.

Our current financial institutions which we have money market accounts with are providing .45% to .498% interest rates on over 38% of our total investments. These funds are completely liquid in nature and are available to use on demand. Certificates of Deposit require a penalty in interest; normally one month is forfeited, if they are needed prior to their maturity. Currently JPMorgan Chase has 33% of all funds in the money market and checking accounts as well as grant funds.

CITY OF BRIGHTON
 QUARTERLY INVESTMENT REPORT
 AS OF SEPT 30, 2011*

<u>Investment Account</u>	<u>Account Balance</u>	<u>Maturity Date</u>	<u>Current % Interest Rate</u>	<u>Average R.O.R.</u>	
JP Morgan Chase & Co. - A/P	168,034.83	Immediate	0.00%	0.00%	7,367,671.78
JP Morgan Chase & Co. - Payroll	15,312.81	Immediate	0.00%	0.00%	7,367,671.78
JP Morgan Chase & Co. - Payroll M.M.	602,859.45	Immediate	0.45%	0.04%	7,367,671.78
JP Morgan Chase & Co. - MSHDA	16,651.26	Immediate	0.00%	0.00%	7,367,671.78
JP Morgan Chase & Co. - Escrow	-	Immediate	0.00%	0.00%	7,367,671.78
JP Morgan Chase & Co. - Tax	-	Immediate	0.00%	0.00%	7,367,671.78
JP Morgan Chase & Co. - Money Market	1,660,789.57	Immediate	0.45%	0.10%	7,367,671.78
Total Chase Bank	<u>2,463,647.92</u>				
Michigan Commerce - Police Forfeiture	17,311.21	Immediate	0.17%	0.00%	7,367,671.78
Michigan Commerce - Juvenile	246.72	Immediate	0.00%	0.00%	7,367,671.78
Michigan Commerce - CD	250,000.00	4/15/2012	0.50%	0.02%	7,367,671.78
Michigan Commerce - Tax account	1,102.34	Immediate	0.17%	0.00%	7,367,671.78
Total Michigan Commerce Bank	<u>268,660.27</u>				
First National Bank-tax account	21,392.10	Immediate	0.00%	0.00%	7,367,671.78
Total 1st Natl Bank	<u>21,392.10</u>				
Level 1-Money Market	561,790.40	Immediate	0.50%	0.04%	7,367,671.78
Level 1-U/B checking	248.14	Immediate	0.00%	0.00%	7,367,671.78
Total Level 1	<u>562,038.54</u>				
LOTUS BANK	200,590.28	Immediate	0.65%	0.02%	7,367,671.78
Total Lotus Bank	<u>200,590.28</u>				
CD-Talmer Bank	251,026.00	11/16/11	0.65%	0.02%	7,367,671.78
CD-TCF Bank	250,000.00	11/29/11	0.40%	0.01%	7,367,671.78
CD-TCF Bank	250,000.00	12/29/11	0.40%	0.01%	7,367,671.78
CD-United Bank	250,000.00	1/15/12	0.70%	0.02%	7,367,671.78
CD-United Bank	250,000.00	1/28/12	0.40%	0.01%	7,367,671.78
CD-Bank of Ann Arbor	250,316.67	1/30/12	0.80%	0.03%	7,367,671.78
CD-Bank of Holland	250,000.00	2/27/12	0.40%	0.01%	7,367,671.78
CD-Flagstar Bank	250,000.00	3/15/12	0.60%	0.02%	7,367,671.78
CD-Bank of Ann Arbor	250,000.00	3/28/12	0.45%	0.02%	7,367,671.78
CD-Mercantile Bank of MI	250,000.00	4/27/12	0.49%	0.02%	7,367,671.78
CD-Macatawa Bank	250,000.00	5/11/12	0.58%	0.02%	7,367,671.78
CD-Ann Arbor State Bank-CD	100,000.00	5/15/12	0.50%	0.01%	7,367,671.78
CD-Flagstar	250,000.00	5/29/12	0.70%	0.02%	7,367,671.78
CD-Mercantile Bank of MI	250,000.00	6/15/12	0.80%	0.03%	7,367,671.78
CD-the PrivateBank	100,000.00	6/30/12	0.50%	0.01%	7,367,671.78
CD-Independent Bank	200,000.00	9/8/11	0.56%	0.02%	7,367,671.78
CD-PNC Bank	200,000.00	10/9/12	0.40%	0.01%	7,367,671.78
Total Certificate of Deposits	<u>3,851,342.67</u>				
TOTAL	<u>7,367,671.78</u>		12.22%	<u>0.42%</u>	7,367,671.78
Avg. three Month Treasury Bill Rate				0.0483%	
Average Fed Funds Rate				0.0839%	
City's Avg. R.O.R. over/(under) the 3-month T-Bill Rate				0.37%	
City's Avg. R.O.R. over/(under) the Avg. Fed Funds Rate				0.33%	

* From the website below

<http://bonds.yahoo.com/>

** From the website below

<http://app.ny.frb.org/markets/omo/dmm/fedfundsdata.cfm>

M:Fern/Mydocs/misc/Council qtrly report 6-30-11.xls

*Amounts match the bank statement balance and there may be reconciling items between the General Ledger and the bank.