



MEETING DATE: 09/19/05

ITEM NO.

3

## COUNCIL AGENDA REPORT

DATE: September 14, 2005  
TO: MAYOR AND TOWN COUNCIL  
FROM: LINDA LUBECK, TOWN TREASURER  
SUBJECT: TREASURER'S REPORT FOR JULY, 2005

### RECOMMENDATION:

Accept report as attached.

### DISCUSSION:

Attached for your review and acceptance is the Treasurer's report for July, 2005

Prime remained at 6.25%. Treasurer's funds decreased slightly to \$56.4 million. The overall performance of the funds continues to increase a little each month.

Upon careful consideration, the Treasurer notified SEI Investment advisors that the Town was invoking its 30 day termination option for the third party investment contract with SEI investments. The last day of the contract is expected to be approximately October 10, 2005. Upon termination of the agreement, the entire principal balance held in trust at SEI (approximately \$18.9 million) will be transferred to the Town's trust account with Union Bank. Because investments administered by SEI in this trust are "held to maturity", the Town sustained no losses to the principal value (original cost) on the assets held in the Town's trust account with SEI.

The determination to terminate the contract was due primarily to the Treasurer's determination that net interest yields to the Town after fees charged by SEI were not sufficient to justify the costs. This office believes that similar yields could be achieved by the Treasurer's office, and if additional investment advice is needed in the future, alternative third party advisors such as MBIA could provide similar advisory services to the Treasurer on an as needed basis, but at a substantially lower cost.

For now, the Treasurer will be making the investment decisions regarding the \$18.9 million in investments formerly administered by SEI that will be transferred to the Town's trust account at Union Bank. If the Treasurer's office believes it would benefit from the use of an alternative investment advisor

PREPARED BY: Linda L. Lubeck, Town Treasurer

Reviewed by: \_\_\_ Town Manager PS Assistant Town Manager OK Town Attorney  
\_\_\_ Clerk SC Finance \_\_\_ Community Development Revised: 9/15/05 10:09 am  
Distribution: Town Council; Town Manager; Finance Director

such as MBIA in the future, the Treasurer will bring her recommendation forward to the Town Council for its review and approval.

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT: None

Attachments: Treasurer's reports dated August 9, 2005.

Meeting date: September 19, 2005

Item No:

**Town of Los Gatos  
Treasurer's Report  
for the month ended  
July 31, 2005**

**Submitted September 14, 2005**

**by**

**Linda L. Lubeck**

A handwritten signature in black ink, appearing to be 'L. Lubeck', written over the printed name.

Distribution:

Town Clerk  
Town Manager  
Town Council

**Town of Los Gatos**  
**Summary Investment Information**  
**July 31, 2005**

**Weighted Average Portfolio Yield:** **2.96%** **Weighted Average Maturity (days)** **399**

	<u>This Month</u>	<u>Last Month</u>	<u>One year ago</u>
<b>Portfolio Balance</b>	\$56,391,210	\$57,531,241	\$52,146,173

**Benchmarks/ References:**

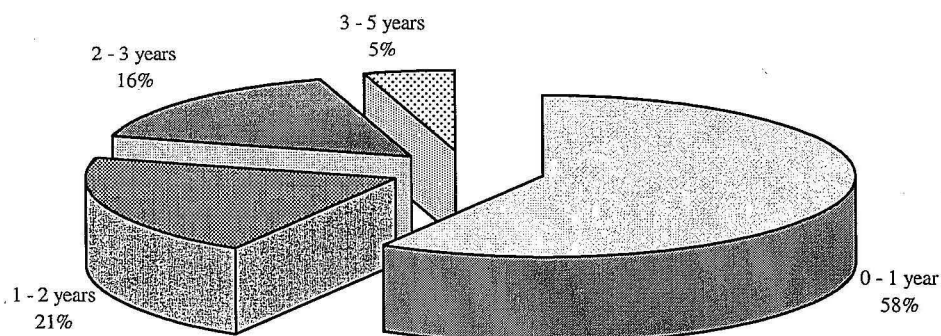
Town's Average Yield	2.96%	2.85%	2.47%
LAIF Yield for month	3.08%	2.97%	1.60%
3 mo. Treasury	3.42%	3.15%	1.45%
6 mo. Treasury	3.66%	3.32%	1.77%
2 yr. Treasury	3.98%	3.65%	2.80%
5 yr. Treasury (most recent)	3.97%	3.71%	3.66%
Prime rate	6.25%	6.25%	4.25%

**Most recent auctions of**

**Freddie Mac or Fannie Mae Reference Notes:**

3 yr. Fannie Mae (06/24/05)	3.92%
2 yr. Freddie Mac (07/12/05)	4.02%

**Portfolio Maturity Profile**



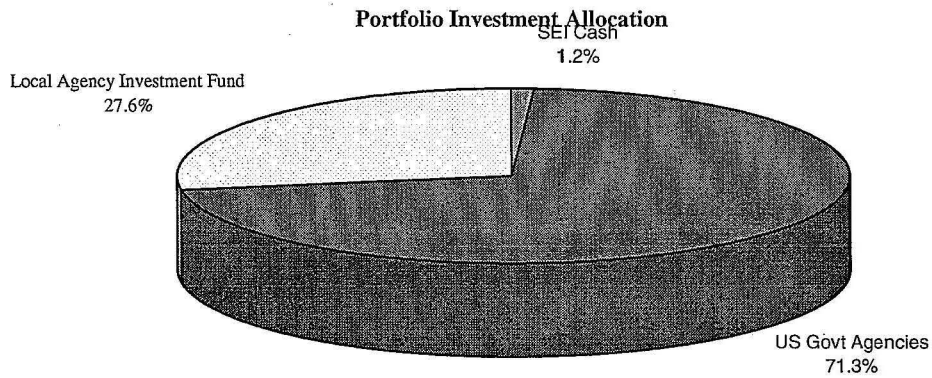
**Compliance:** The Town's investments are in compliance with the Town's investment policy dated June 24, 2002 and also in compliance with the requirements of Section 53601 of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

**Town of Los Gatos**  
**Portfolio Allocation & Treasurer's Fund Balances**  
**July 31, 2005**

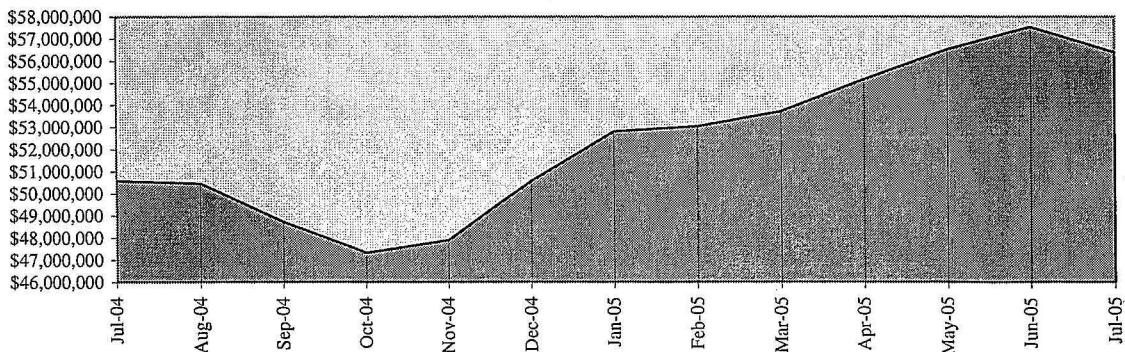
	<u>Month</u>	<u>YTD</u>
Fund Balances - Beginning of Month/Period	\$57,531,241.44	\$57,531,241.44
Receipts	1,701,134.26	1,701,134.26
Disbursements	(2,841,165.30)	(2,841,165.30)
Fund Balances - End of Month/Period	<u>\$56,391,210.40</u>	<u>\$56,391,210.40</u>

Portfolio Allocation:

SEI Cash	610,806.46
US Govt Agencies	37,285,610.54
Local Agency Investment Fund	<u>14,423,871.47</u>
Subtotal - Investments	52,320,288.47
Reconciled Demand Deposit Balances	<u>4,070,921.93</u>
 Total Treasurer's Fund	 <u>\$56,391,210.40</u>



**Treasurer's Fund Balances**



**Town of Los Gatos**  
**Non-Treasury Restricted Fund Balances**  
**July 31, 2005**

	<u>Previous Balance</u>	<u>Deposits</u>	<u>Interest</u>	<u>Withdrawals</u>	<u>Ending Balance</u>	
<b>Non-Treasury Funds:</b>						
Downtown Parking District 12/20/02	239,802.97		513.58		240,316.55	Note 1
Certificates of Participation Reserve Fund (Lot 4)	258,022.32		503.37		258,525.69	Note 2
Cert. of Participation Lease Payment Fund (Lot 4)	190,906.06		331.27		191,237.33	Note 3
Cert. of Participation 2002 Series A Const. Fund	2,269,609.53		1.59	0.08	2,269,611.04	Note 4
Cert. of Participation 2002 Series A Reserve Fund	737,412.52		109.34	17.38	737,504.48	Note 4
Cert. Of Participation 2002 Series A Interest Fund	147.08		0.30		147.38	
Cert. Of Participation 2002 Series A COI Fund	0.00		0.00	0.00	0.00	Note 4
<b>Total Restricted Funds:</b>	<b><u>\$3,695,900.48</u></b>	<b><u>\$0.00</u></b>	<b><u>\$1,459.45</u></b>	<b><u>\$17.46</u></b>	<b><u>\$3,697,342.47</u></b>	

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

**Note 1:** This account include redemption accounts set up for the repayment of interest and principal on outstanding bond coupons for Parking Assessment District '3', as well as Reserve Funds set up as required by the original Bond resolution.

**Note 2:** The reserve fund was a requirement of the original certificates of participation agreement when Lot 4 was built. It helps to guarantee payment of the lease payments should the Town not make payment.

**Note 3:** The lease payment fund receives the lease payments from the Town monthly for the lease of Lot 4. It holds the funds until payments on the certificates of participation are due semi-annually.

**Note 4:** The three funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

**Town of Los Gatos**  
**Statement of Interest Earned**  
**July 31, 2005**

	<u>Current Month</u>	<u>Fiscal Year to Date</u>
Interest received from Investments	184,486.41	184,486.41
Add: Interest accrued at end of period (see page 5)	(19,342.30)	(19,342.30)
Less: Interest accrued at beginning of period	(33,323.60)	(33,323.60)
Interest earned on investments	<u>\$131,820.51</u>	<u>\$131,820.51</u>

**Town of Los Gatos  
Inactive Deposits by Institution  
Market to Cost Position Report  
July 31, 2005**

**Inactive Deposits by Institution**

Dep	Institution	Security	Deposit Date	Amortized Cost	Maturity Date	Days Elapsed	Days to Maturity	Days Invested	Yield to Maturity	Interest Earned	Interest Received	Interest Accrued
	Highmark	US Govt Fund	07/26/05	1,000,000.00	08/15/05	5	15	20	2.79%	382.19		382.19
937	FHDN	Discount Note	02/04/05	493,038.89	08/02/05	177	2	179	2.88%	6,883.33		6,883.33
936	FHDN	Discount Note	02/04/05	985,844.44	08/05/05	177	5	182	2.88%	13,766.67		13,766.67
927	FNMA	Coupon Note	08/26/03	1,071,900.00	11/14/05	705	106	811	2.37%	49,063.83	31,996.80	17,067.03
932	FHLB	Coupon Note	08/18/04	498,300.00	02/03/06	347	187	534	2.49%	11,790.28	2,343.75	9,446.53
938	FHLMC	Discount Note	03/16/05	483,436.11	03/07/06	137	219	356	3.35%	6,078.71		6,078.71
928	FNMA	Coupon Note	08/26/03	895,320.00	04/28/06	705	271	976	2.83%	48,898.09	39,506.80	9,391.29
933	FHLB	Coupon Note	08/18/04	996,420.00	05/15/06	347	288	635	2.46%	23,305.34	16,687.50	6,617.84
920	FNMA	Coupon Note	06/22/01	2,001,740.00	06/15/06	1500	319	1819	5.23%	430,254.27	417,984.30	12,269.97
939	FFCB	Coupon Note	03/16/05	498,560.00	12/11/06	137	498	635	3.80%	7,110.97		7,110.97
934	FNMA	Coupon Note	08/18/04	1,491,000.00	01/12/07	347	530	877	3.06%	43,381.17	37,800.00	5,581.17
940	FHLB	Coupon Note	03/16/05	543,228.45	02/09/07	137	558	695	3.93%	8,013.14		8,013.14
929	FNMA	Coupon Note	02/09/04	2,000,000.00	05/09/07	538	647	1185	3.00%	88,438.36	60,000.00	28,438.36
942	FHLB	Coupon Note	05/16/05	999,000.00	05/16/07	76	654	730	4.04%	8,409.88		8,409.88
943	FNMA	Coupon Note	07/01/05	749,032.50	05/17/07	30	655	685	3.82%	2,348.68		2,348.68
930	FHLMC	Coupon Note	02/24/04	2,505,250.00	08/24/07	523	754	1277	2.79%	100,301.36	80,500.00	19,801.36
944	FNMA	Coupon Note	07/01/05	984,074.54	12/15/07	30	867	897	3.81%	3,079.21		3,079.21
945	FHLB	Coupon Note	07/01/05	755,975.25	04/18/08	30	992	1022	3.80%	2,362.99		2,362.99
										0.00		0.00
	Purch Int - Union acct.			13,017.93								
	SEI Cash			610,806.46						16,097.34	14,877.21	1,220.13
	SEI Investments			18,311,844.65	Various		600		2.49%	645,810.60	869,861.28	(224,050.68)
	Purch Int - SEI acct.			8,627.78								
	LAIF	N/A	07/01/05	14,423,871.47	09/30/05	30	61	91	3.08%	36,438.93		36,438.93
				<b>52,320,288.47</b>			<b>399</b>		<b>2.96%</b>	<b>1,552,215.34</b>	<b>1,571,557.64</b>	<b>(19,342.30)</b>

**Maturity Profile**

	Amount	Percent
0-1 year	30,594,349.64	58.48%
1-2 years	10,894,077.61	20.82%
2-3 years	8,399,637.22	16.05%
3-5 years	<u>2,432,224.00</u>	<u>4.65%</u>
	<b>52,320,288.47</b>	<b>100.00%</b>

**Market to Cost Position Report**

Dep	Institution	Security	Market Price	Amortized Cost	Market Value*	Unrealized Gain (Loss)
	Highmark	US Govt Fund	100.000	1,000,000.00	1,000,000.00	0.00
937	FHDN	Discount Note	99.990	493,038.89	499,950.00	6,911.11
936	FHDN	Discount Note	99.960	985,844.44	999,600.00	13,755.56
927	FNMA	Coupon Note	99.531	1,071,900.00	1,074,934.80	3,034.80
932	FHLB	Coupon Note	99.156	498,300.00	495,780.00	(2,520.00)
938	FHLMC	Discount Note	97.700	483,436.11	488,500.00	5,063.89
928	FNMA	Coupon Note	98.969	895,320.00	890,721.00	(4,599.00)
933	FHLB	Coupon Note	98.625	996,420.00	986,250.00	(10,170.00)
920	FNMA	Coupon Note	101.000	2,001,740.00	2,020,000.00	18,260.00
939	FFCB	Coupon Note	99.281	498,560.00	496,405.00	(2,155.00)
934	FNMA	Coupon Note	98.063	1,491,000.00	1,470,945.00	(20,055.00)
940	FHLB	Coupon Note	97.906	543,228.45	543,378.30	149.85
929	FNMA	Coupon Note	98.000	2,000,000.00	1,960,000.00	(40,000.00)
942	FHLB	Coupon Note	99.469	999,000.00	994,690.00	(4,310.00)
943	FNMA	Coupon Note	99.188	749,032.50	743,910.00	(5,122.50)
930	FHLMC	Coupon Note	98.064	2,505,250.00	2,451,600.00	(53,650.00)
944	FNMA	Coupon Note	97.500	984,074.54	975,000.00	(9,074.54)
945	FHLB	Coupon Note	99.531	755,975.25	746,482.50	(9,492.75)
						0.00
	Subtotal			18,952,120.18	18,838,146.60	(113,973.58)
	Purch Int - Union acct.			13,017.93	13,017.93	0.00
	SEI Cash			610,806.46	610,806.46	0.00
	SEI Investments			18,311,844.65	17,574,771.20	(737,073.45)
	N/A Purch Int - SEI acct.			8,627.78	8,627.78	0.00
	LAIF			<u>14,423,871.47</u>	<u>14,423,871.47</u>	<u>0.00</u>
<b>Totals:</b>				<b>52,320,288.47</b>	<b>51,469,241.44</b>	<b>(851,047.03)</b>

\* Source: Treasury and Agency Obligations - Union Bank of California  
LAIF balances per Local Agency Investment Fund monthly statement.



SEI Investments Account  
Market to Cost Position Report  
July 31, 2005

Dep. Institution	Security	Deposit Date	Amortized Cost	Maturity Date	Days Elapsed	Days to Maturity	Days Invested	Yield to Maturity	Interest Earned	Interest Received	Interest Accrued	
FNMA	Z Coupon	06/14/05	241,784.19	08/10/05	47	10	57	3.220%	1,002.51		1,002.51	
FHLB	Coupon Note	06/24/03	672,743.50	08/15/05	768	15	783	1.335%	18,897.27	32,012.50	(13,115.23)	
FHLMC	Coupon Note	11/09/04	198,468.75	08/15/05	264	15	279	2.508%	3,600.23	800.00	2,800.23	
FHLMC	Z Coupon	06/15/05	248,126.74	09/06/05	46	37	83	3.320%	1,038.19		1,038.19	
FNMA	Coupon Note	08/24/04	199,360.00	09/15/05	341	46	387	2.178%	4,056.56	2,093.75	1,962.81	
FNMA	Z Coupon	05/17/05	98,734.92	10/05/05	75	66	141	3.317%	672.95		672.95	
FHLMC	Z Coupon	05/17/05	49,354.51	10/07/05	75	68	143	3.338%	338.52		338.52	
FHLB	Coupon Note	06/24/03	683,345.00	11/15/05	768	107	875	1.432%	20,589.77	44,572.40	(23,982.63)	
FHLMC	Z Coupon	07/14/05	196,953.37	12/15/05	17	137	154	3.666%	336.29		336.29	
FHLMC	Z Coupon	03/23/05	97,284.59	01/03/06	130	156	286	3.558%	1,232.82		1,232.82	
FHLMC	Coupon Note	06/30/03	651,562.50	01/15/06	762	168	930	1.771%	24,090.00	64,312.50	(40,222.50)	
FHLMC	Coupon Note	08/24/04	198,460.00	02/15/06	341	199	540	2.402%	4,453.56	1,781.25	2,672.31	
FFCB	Coupon Note	06/25/03	666,809.00	03/15/06	767	227	994	1.523%	21,340.46	27,986.11	(6,645.65)	
FHLMC	Coupon Note	06/25/03	664,117.19	04/15/06	767	258	1025	1.576%	21,993.96	27,873.26	(5,879.30)	
FNMA	Coupon Note	06/27/03	504,090.00	04/28/06	765	271	1036	2.315%	24,458.38	24,098.96	359.42	
FMAC	Z Coupon	07/29/05	193,927.92	05/10/06	2	283	285	4.010%	42.61		42.61	
FHLB	Coupon Note	06/24/03	658,677.50	05/15/06	768	288	1056	1.625%	22,521.36	26,128.65	(3,607.29)	
FHLMC	Coupon Note	06/27/03	500,930.00	06/02/06	765	306	1071	2.076%	21,795.81	20,753.47	1,042.34	
FHLMC	Coupon Note	06/30/03	387,296.88	07/15/06	762	349	1111	1.872%	15,136.03	39,302.08	(24,166.05)	
FNMA	Coupon Note	06/10/04	297,213.00	08/11/06	416	376	792	3.177%	10,761.81	5,522.92	5,238.89	
FHLB	Coupon Note	06/30/03	400,000.00	09/29/06	762	425	1187	2.200%	18,371.51	16,160.00	2,211.51	
FHLMC	Coupon Note	02/22/05	197,629.00	10/15/06	159	441	600	3.507%	3,019.19	809.72	2,209.47	
FHLB	Coupon Note	06/24/03	688,076.80	11/15/06	768	472	1240	1.825%	26,422.15	49,940.00	(23,517.85)	
FFCB	Coupon Note	06/25/03	660,954.00	12/19/06	767	506	1273	1.844%	25,611.48	58,012.50	(32,401.02)	
FHLB	Coupon Note	06/30/03	400,000.00	12/29/06	762	516	1278	2.225%	18,580.27	17,800.00	780.27	
FNMA	Coupon Note	02/22/05	195,358.60	02/15/07	159	564	723	3.363%	2,861.96		2,861.96	
FHLMC	Coupon Note	06/25/03	662,652.00	03/15/07	767	592	1359	1.946%	27,097.60	50,375.00	(23,277.40)	
FNMA	Coupon Note	06/30/03	333,597.66	04/15/07	762	623	1385	2.150%	14,973.51	28,218.75	(13,245.24)	
FHLMC MTN	Coupon Note	06/27/03	402,556.00	05/29/07	765	667	1432	2.808%	23,691.47	23,033.33	658.14	
FNMA	Coupon Note	06/30/03	375,219.60	07/15/07	762	714	1476	2.359%	18,478.88	30,369.79	(11,890.91)	
FHLB	Coupon Note	06/24/03	672,825.60	11/15/07	768	837	1605	2.257%	31,952.32	42,373.33	(10,421.01)	
FNMA	Coupon Note	06/24/03	299,475.00	12/24/07	768	876	1644	2.528%	15,929.64	15,000.00	929.64	
FNMA	Coupon Note	06/27/03	649,785.94	01/15/08	765	898	1663	2.492%	33,938.05	41,973.50	(8,035.45)	
FHLMC	Coupon Note	09/30/04	198,630.00	02/25/08	304	939	1243	3.462%	5,727.34	2,618.06	3,109.28	
FHLMC	Coupon Note	06/26/03	657,396.09	03/15/08	766	958	1724	2.294%	31,648.74	30,498.58	1,150.16	
FHLB	Coupon Note	06/30/03	286,162.50	04/15/08	762	989	1751	2.633%	15,729.89	26,337.50	(10,607.61)	
FHLB	Coupon Note	06/26/03	661,764.30	05/13/08	766	1017	1783	2.507%	34,817.18	64,797.36	(29,980.18)	
FHLMC MTN	Coupon Note	06/30/03	228,298.00	06/13/08	762	1048	1810	2.894%	13,793.13	12,351.32	1,441.81	
FHLMC	Coupon Note	06/24/03	500,000.00	06/18/08	768	1053	1821	2.750%	28,931.51	27,500.00	1,431.51	
FNMA	Coupon Note	09/30/04	198,597.00	08/15/08	304	1111	1415	3.442%	5,693.30	2,437.50	3,255.80	
FNMA	Coupon Note	11/16/04	199,216.00	09/15/08	257	1142	1399	3.866%	5,422.83	2,479.17	2,943.66	
FNMA	Coupon Note	01/19/05	248,157.50	09/15/08	193	1142	1335	3.974%	5,214.58	1,458.33	3,756.25	
FNMA	Coupon Note	11/16/04	199,552.00	11/17/08	257	1205	1462	3.936%	5,530.33	3,896.53	1,633.80	
FHLMC	Coupon Note	07/07/05	296,403.00	01/12/09	24	1261	1285	4.313%	840.58	807.29	33.29	
FNMA	Coupon Note	01/21/05	242,400.00	03/16/09	191	1324	1515	3.930%	4,985.01	1,193.58	3,791.43	
FHLMC	Coupon Note	06/17/05	300,198.00	07/30/09	44	1460	1504	4.359%	1,577.45		1,577.45	
FHLMC	Coupon Note	06/14/05	298,683.00	09/01/09	47	1493	1540	4.237%	1,629.57		1,629.57	
FHLMC	Coupon Note	01/21/05	149,686.50	09/01/09	191	1493	1684	4.180%	3,274.16	687.50	2,586.66	
FHLMC	Coupon Note	06/14/05	299,331.00	01/25/10	47	1639	1686	4.431%	1,707.88	1,494.79	213.09	
			18,311,844.65			600			2.486%	645,810.60	869,861.28	(224,050.68)
Cash			610,806.46							16,097.34	14,877.21	1,220.13
Purchased Int			8,627.78							661,907.94	884,738.49	(222,830.55)
			18,931,278.89									