

Investment Strategy Update

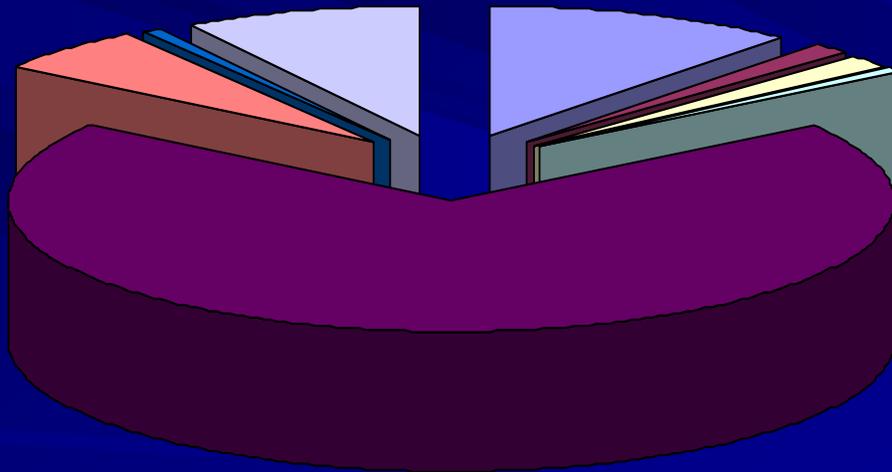
CLC INVESTMENT MANAGEMENT

Overview of current investment
management strategies for City
operating funds

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Investment Portfolio Allocation

■ Current Portfolio allocation



- Checking Accounts
- Savings Accounts
- Money Market
- Commercial Paper
- Federal Agency
- Treasury Securities
- Flexible Repurchase Agreements
- State Investment Council - Equity Securities

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■ Types of Investment Risks

- Credit Risk
- Liquidity Risk
- Interest Rate Risk

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■ Investment Policy (Ord. 2244, November 21, 2005)

- 1. Safety of Principal
- 2. Adequate liquidity
- 3. Maximize yield without compromise to #1 and #2 above

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■ Historical

- Management of CLC funds outsourced to Wells Capital Management in 2007. Prior to 2007, portfolio was actively managed by City personnel

- Management fees (\$163,415 in FY2009)

- Tiered management fee

- Included in Banking Services Contract (2007)

- Duration very short (at City's direction)

- Yield affected by short duration

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■ Initiatives

- 1. Bring portfolio in-house to reduce fees.
- 2. Consolidate liquidity – better management.
- 3. Improve duration management to produce better yield.

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- Investment Options in current environment
 - 1. Short duration in low rate environment
 - 2. Extend duration – hope rates don't rise
 - 3. Extend duration with interest rate protection

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■ What we are doing

- 1. Invest only in U.S. Agency Securities
 - Removes all credit risk from portfolio.
 - Adds additional layer of liquidity.
 - In the current interest rate environment, only purchase securities with a step-up coupon, which allows for longer duration while offsetting interest rate risk.
- 2. Consolidated liquidity funds to increase yield from ave. of 10 basis points to 50 basis points. (Approx. \$60,000 annual value)

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- What we are doing (cont.)
 - 3. Established cash flow model to insure adequate daily/monthly primary liquidity for all “known” events and most unanticipated events. (Additional liquidity as needed available through liquidation of selected Agency securities).
 - 4. Quarterly reports to Council
 - 5. Annual (more frequent) presentation to Council

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■ Telshore Facility Lease

- Historical review of the performance of the investment of lease proceeds

TELSHOR FACILITY LEASE

- The City received 40-year prepaid lease on the Telshor Facility in June, 2004. Lease agreement included payment obligations:
 - Construction
 - Enhanced services
 - Severance liability

TELSHOR FACILITY LEASE

- Council stated desire to preserve buying power of lease proceeds and placed a temporary spending moratorium on earnings of lease proceeds.
- In November, 2005 Council approved Ordinance 2244 authorizing new investment policy allowing investment with New Mexico State Investment Council (SIC).

TELSHOR FACILITY INVESTMENTS

- A study to determine the risk tolerance of Council for investment of lease proceeds was performed by RBC Dain Rauscher and presented to Council in September, 2006.
(<http://www.las-cruces.org/pio/publications/default.shtm>)
- As a result of the study, Council approved Resolution 07-738 authorizing the investment of lease proceeds as follows:
 - 30% Large Cap equity (SIC)
 - 20% Mid/Small Cap equity (SIC)
 - 10% International equity (SIC)
 - 40% Fixed Income (City managed)

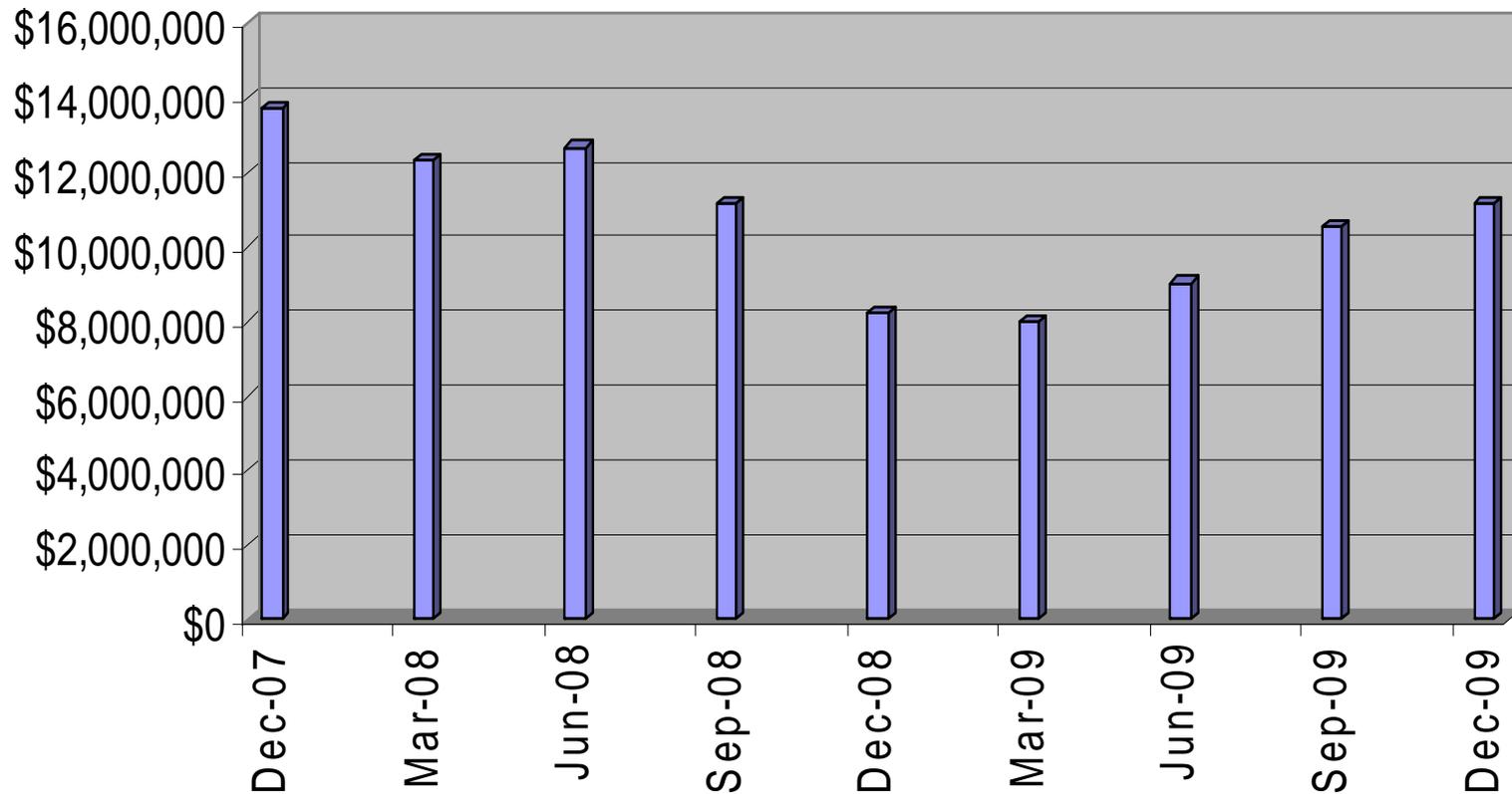
TELSHOR FACILITY INVESTMENTS

- Equity investments were made with the State Investment Council in November, 2007.

– Large Cap equity	\$ 7,200,000
– Mid/Small Cap equity	\$ 4,800,000
– International equity	\$ 2,400,000
Total	\$14,400,000

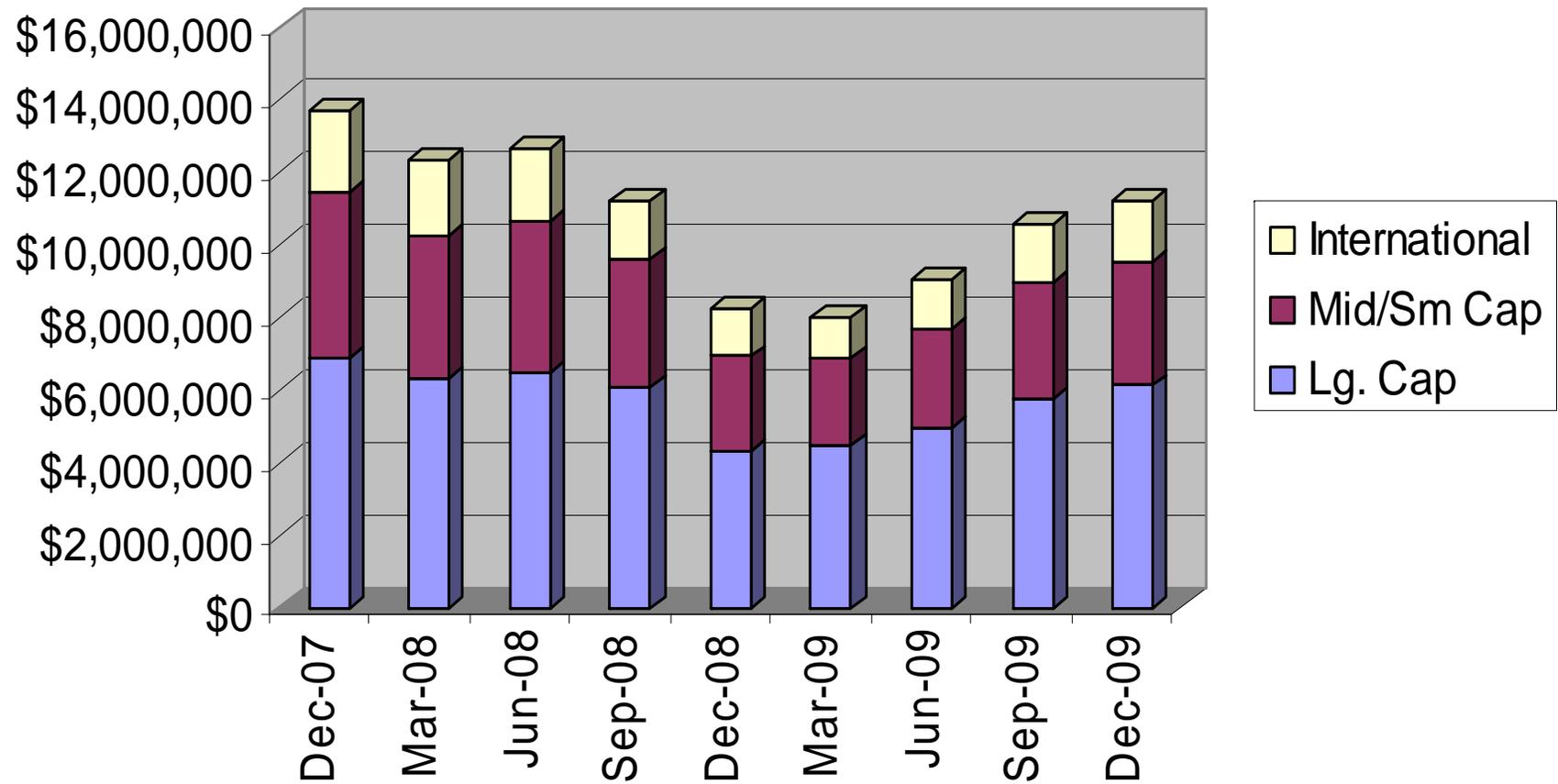
SIC INVESTMENT PERFORMANCE

Telshor Facility SIC Equity Pool



SIC INVESTMENT PERFORMANCE

Telshor Facility SIC Equity Pool



TELSHOR FACILITY INVESTMENTS

■ What To Do Going Forward

- Maintain existing investment strategy
- Maintain equity/fixed income strategy but change the allocation
- Change the equity manager (SIC)
- Other ?

■ Finance Recommendation

- Maintain existing investment strategy