



Quarterly Investment Report

As of December 31, 2012

Tim Paulissen, Mayor

Andy Mann, Mayor Pro Tem

Dan Becker, Councilmember

Dennis O'Keeffe, Councilmember

Heidi Thiess, Councilmember

Todd Kinsey, Councilmember

Geri Bentley, Councilmember

Joanna Sharp Dawson, Councilmember

Michael W. Loftin, City Manager

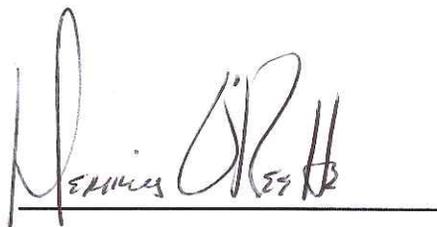
Rebecca Underhill, CPA, Finance Director

Compliance Certification

We certify that the Quarterly Investment Report represents the investment position of the City of League City as of December 31, 2012 and that all investments have been and are in compliance with the Texas Public Funds Investment Act and the City's Investment Policy as adopted by City Council on February 14, 2012.



Mike Loftin, City Manager



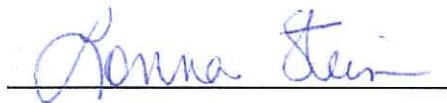
Dennis OKeefe, Councilmember



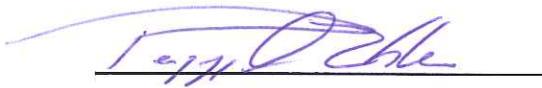
Rebecca Underhill, CPA, Finance Director



Geri Bentley, Councilmember



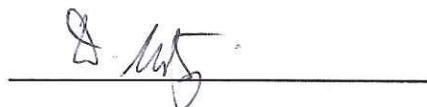
Lonna Stein, Controller



Peggy Zahler, Finance Committee



Quencelia Goins, Accounting Manager



Darius Mistry, Finance Committee



Vicki Lilly-Tallman, Finance Committee

Introduction

Under the Public Funds Investment Act (PFIA), the City is required to have City Council approved investment policies, defining authorized investments which are limited to those allowed by the Act. Quarterly reports are to be presented to the City Council to disclose the book and market values of the investments and to demonstrate compliance with the approved policy.

The City of League City is in compliance with PFIA and adopted policy. All investments purchased meet the three basic tenets of the investment policy – investment safety is first, followed by liquidity and yield.

The day to day management of the City’s cash and investment position is the responsibility of the City Manager, Finance Director, Controller and the Accounting Manager, who have been designated as the City’s investment officers.

The investment activity of the City is reviewed by the Finance Committee prior to presentation to the City Council.

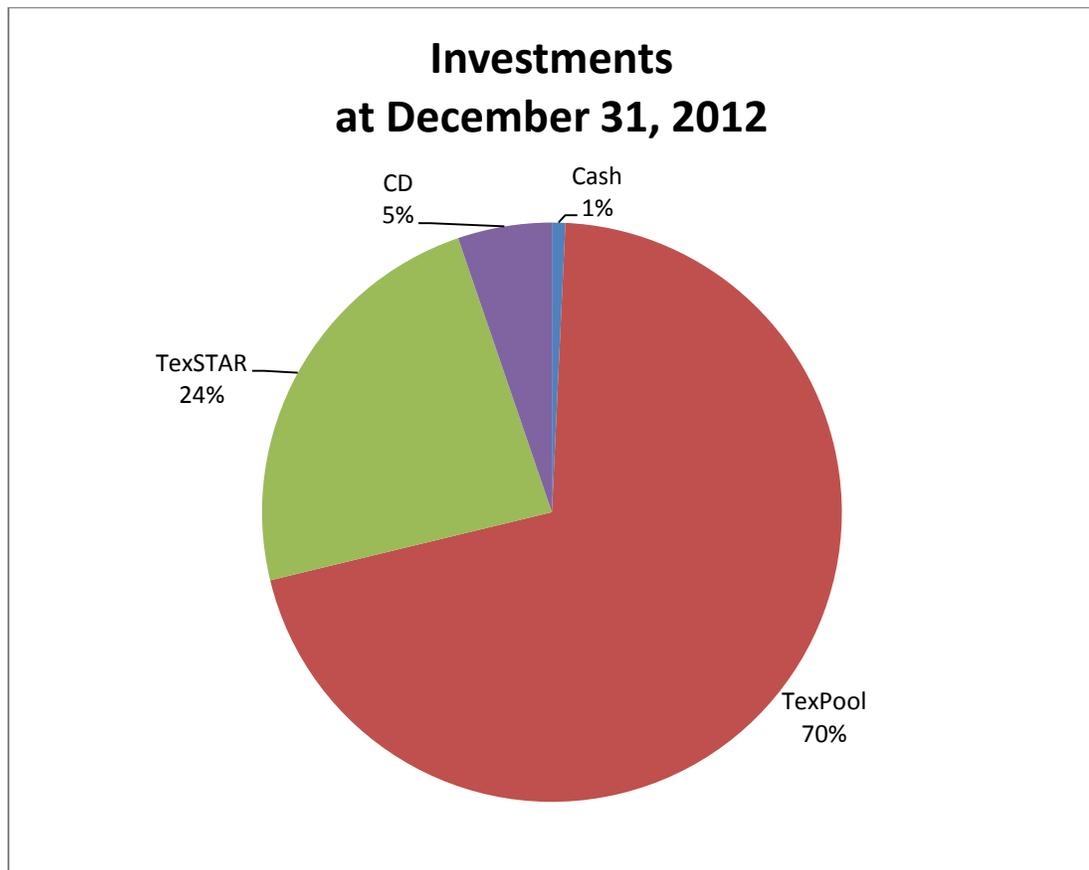
Quarterly Compliance Review

	Compliant	Comment
Investment Policy	Yes	Reviewed and approved by Council 2/14/12
Distribution to brokers, entities	Yes	Distribution this year = 8
Returned Acknowledgements	Yes	Signed affidavits on file = 8
Investment Officers	Yes	Named by City Council, 2/14/12; updated 10/9/12
Training	Yes	All completed 10 hours during FY 12
Investments	Yes	As authorized by PFIA and COLC Policy
Collateral pledges	Yes	Minimum of 110% maintained
Ratings of Pools	Yes	AAAm - As required by PFIA and COLC Policy

Investment Priorities and Compliance

Safety Ensuring the return of principle invested, credit risk is minimized by investing in highly rated investments as defined by the City of League City's investment policy and the Texas Public Funds Investment Act.

- Current Investments held
 - U.S. Agency Securities are purchased directly by the City from investment brokerage firms approved to do business with the City. These securities are issued in the City's name, and held in safekeeping by JP Morgan Chase Bank.
 - Certificates of Deposit are issued by commercial banks against funds deposited for specified periods and earn specified rates of interest. These funds are collateralized by funds of the bank.
 - Tex Pool is a public funds investment pool, rated AAAM and overseen by the State Comptroller's Office and administered and managed by Federated Investors.
 - TexSTAR is a public funds investment pool, rated AAAM and administered by First Southwest Asset Management, Inc. and JP Morgan Fleming Investment Management, Inc.



Liquidity Ensuring funds are available to meet the cash flow needs of the City's operations.

- Due to the state of investment returns, it has been difficult to attract higher rates by extending maturities. Therefore, as of December 31, 2012, approximately 94% of the City's investment portfolio was entirely liquid, in cash or investment pools.

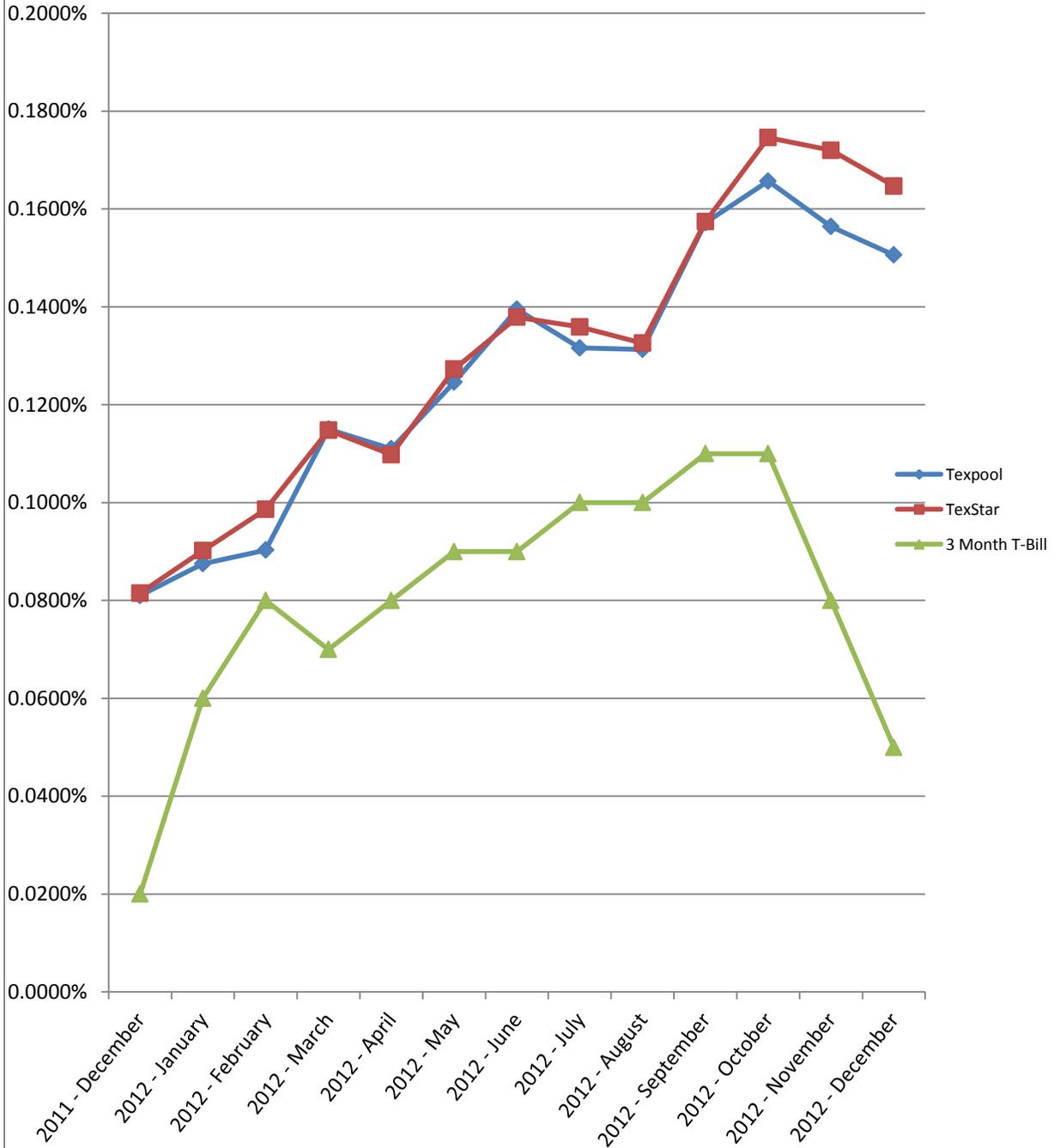
Yield Attaining a reasonable return without risking safety or liquidity needs.

- The yield outlook remains bleak, with the fed funds rate near 0%.
- As of December 31, 2012, the City has compared favorably to the benchmarks comparable to our investment strategy.

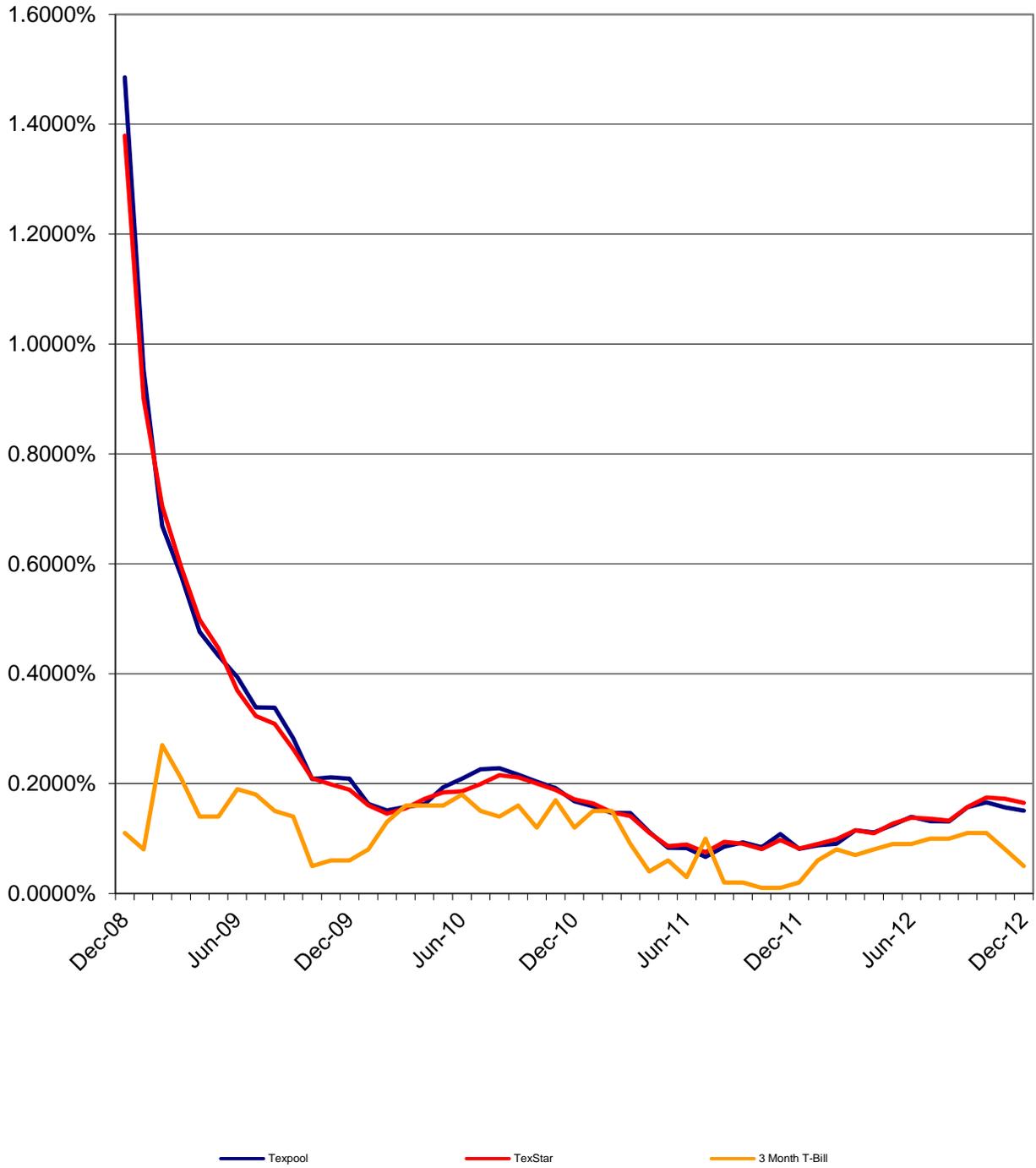
	Quarter Ended			
	<u>Dec-12</u>	<u>Sep-12</u>	<u>Jun-12</u>	<u>Mar-12</u>
Investment Earnings	\$ 81,027	\$ 61,884	\$ 55,874	\$ 47,881
<i>City of League City Portfolio Return</i>	0.1532%	0.1375%	0.1248%	0.0998%
 <u>Benchmarks</u>				
TexPool	0.1576%	0.1400%	0.1250%	0.09760%
TexSTAR	0.1704%	0.1420%	0.1250%	0.1012%
3 month T Bill	0.0800%	0.1033%	0.0867%	0.0700%

- In the last weeks of the quarter, short term rates began to fall again, and we remain at historic lows, with no indication of rates increasing significantly in the near term.

Interest Rates December 2011 to December 2012



City of League City Monthly Interest Rates Fiscal Year 2008 to Present



CITY OF LEAGUE CITY
MONTHLY INVESTMENT REPORT
FOR THE MONTH ENDED DECEMBER 31, 2012

Fund	Cash in Bank	Investment in TexPool	Investment in TexSTAR	Certificates of Deposit	(Book Value) Portfolio Investments	Total	Percent of Total Investments
MAJOR FUNDS							
General Fund	\$ 177,580	\$ 7,685,890	\$ 6,478,356	\$ 4,073,052	\$ -	\$ 18,414,879	8.71%
Debt Service	90,246	8,889,071	959,541	-	-	9,938,858	4.70%
W/WW Debt Service	43,512	3,270,663	500,460	-	-	3,814,635	1.80%
Water/Wastewater	48,200	8,911,178	8,546,117	2,014,675	-	19,520,170	9.24%
Subtotal Major Funds	\$ 359,539	\$ 28,756,802	\$ 16,484,475	\$ 6,087,727	\$ -	\$ 51,688,543	24.45%
SPECIAL REVENUE FUNDS							
Police Activities Fund	\$ 160,683	\$ -	\$ -	\$ -	\$ -	\$ 160,683	0.08%
Animal Control Donation Fund	18,935	24,007	-	-	-	42,943	0.02%
Library Gift Fund	5,367	18,116	-	-	-	23,483	0.01%
Mun. Court Bldg Security Fund	7,528	56,243	-	-	-	63,771	0.03%
Emergency Mgmt Response Fd	8,487	78,593	-	-	-	87,080	0.04%
Mun. Court Technology Fund	2,628	4,069	-	-	-	6,698	0.00%
Hotel/Motel Tax	44,290	329,618	145,633	-	-	519,541	0.25%
Park Facilities & Maintenance	32,413	1,547,788	687,316	-	-	2,267,516	1.07%
Sidewalk Fund	7,900	131,489	-	-	-	139,389	0.07%
Safelight Fund	89,587	248,002	-	-	-	337,590	0.16%
Public Access Channel Fund	24,943	416,161	-	-	-	441,104	0.21%
Right of Way Fund	31,811	144,479	-	-	-	176,290	0.08%
Technology Fund	77,088	686,215	-	-	-	763,304	0.36%
4B Industrial Dev Park Maint & Ops	42,114	543,447	-	-	-	585,560	0.28%
Subtotal Special Revenue Funds	\$ 553,775	\$ 4,228,227	\$ 832,948	\$ -	\$ -	\$ 5,614,950	2.66%
CAPITAL PROJECT FUNDS							
Water Capital Improvement	\$ 26,468	\$ 4,755,156	\$ 899,213	\$ -	\$ -	\$ 5,680,837	2.69%
Wastewater Capital Improvement	30,785	2,829,159	1,023,134	-	-	3,883,078	1.84%
Bayridge Utility District	880	18,255	-	-	-	19,135	0.01%
South Shore MUD #3	46,049	100,172	-	-	-	146,221	0.07%
South Shore MUD #2	47,312	951,496	-	-	-	998,808	0.47%
Misc Capital Project Fund	43,630	1,108,773	143,497	-	-	1,295,900	0.61%
W/W Capital Project Fund	33,962	1,712,791	822,492	-	-	2,569,244	1.22%
2003A Certificates of Obligation	3,489	2,807	7,113	-	-	13,408	0.01%
2006 Certificates of Obligation	4,339	-	234,419	-	-	238,758	0.11%
2008 Revenue Bonds	15,084	1,224,596	-	-	-	1,239,680	0.59%
2008 Certificates of Obligation	18,994	4,358,679	-	-	-	4,377,673	2.07%
2009 Revenue Bonds	31,208	15,563,105	45,425	-	-	15,639,738	7.40%
2009 Certificates of Obligation	12,764	9,660,510	-	-	-	9,673,274	4.58%
2011 Revenue Bond	16,180	-	8,122,489	-	-	8,138,669	3.85%
2011A Certificates of Obligation	8,744	27,007,202	-	5,000,000	-	32,015,947	15.15%
2012B Certificates of Obligation	6,078	-	20,907,130	-	-	20,913,208	9.89%
2011 Certificates of Obligation	13,557	2,612,466	-	-	-	2,626,022	1.24%
2012A Certificates of Obligation	4,789	37,727,339	-	-	-	37,732,128	17.85%
4B Industrial Dev 2011 CO	88	94	-	-	-	182	0.00%
Subtotal Capital Project Funds	\$ 364,398	\$ 109,632,601	\$ 32,204,912	\$ 5,000,000	\$ -	\$ 147,201,910	69.64%
INTERNAL SERVICE FUNDS							
Motor Pool Fund	\$ 24,984	\$ 2,084,466	\$ 70,187	\$ -	\$ -	\$ 2,179,637	1.03%
Subtotal Internal Service Fund	\$ 24,984	\$ 2,084,466	\$ 70,187	\$ -	\$ -	\$ 2,179,637	1.03%
COMPONENT UNITS							
TIF#1-Magnolia Creek	\$ 1,777	\$ 2,357,563	\$ 83,633	\$ -	\$ -	\$ 2,442,973	1.16%
PID #1 Magnolia Creek	115,833	409,172	-	-	-	525,005	0.25%
TIF #2 Victory Lakes	50,542	644,893	70,238	-	-	765,674	0.36%
PID #2 Victory Lakes	23,365	283,805	-	-	-	307,170	0.15%
TIF #3 Centerpointe	180	36	-	-	-	216	0.00%
PID #3 Centerpointe	5,949	229,674	-	-	-	235,623	0.11%
TIF #4 Westwood	26,806	233,182	-	-	-	259,989	0.12%
PID #5 Park on Clear Creek	42,152	100,066	-	-	-	142,218	0.07%
Subtotal Component Units	\$ 266,606	\$ 4,258,392	\$ 153,871	\$ -	\$ -	\$ 4,678,868	2.21%
TOTAL	\$ 1,569,302	\$ 148,960,487	\$ 49,746,393	\$ 11,087,727	\$ -	\$ 211,363,908	100.00%

**CITY OF LEAGUE CITY, TEXAS
PORTFOLIO INVENTORY
FOR THE QUARTER ENDED DECEMBER 31, 2012**

Investment Type	Maturity Date	Book Value 9/30/2012	Market Value 9/30/2012	Book Value 12/31/2012	Market Value 12/31/2012	Interest Rate
Cash	Open	\$ 2,653,128	\$ 2,653,128	\$ 1,569,302	\$ 1,569,302	0.0500%
TexPool	Open	144,635,451	144,635,451	148,960,487	148,960,487	0.1506%
TexSTAR	Open	51,624,603	51,624,603	49,746,393	49,746,393	0.1647%
CD Amegy	9/6/2013	5,035,225	5,035,225	5,036,688	5,036,688	0.1000%
CD Prosperity	9/4/2013	1,049,694	1,049,694	1,051,039	1,051,039	0.4000%
CD Prosperity	10/22/2013	-	-	5,000,000	5,000,000	0.3500%
Fannie Mae	11/13/2012	<u>971,813</u>	<u>972,180</u>	<u>-</u>	<u>-</u>	
		<u>\$ 205,969,914</u>	<u>\$205,970,281</u>	<u>\$211,363,909</u>	<u>\$211,363,909</u>	