



Memorandum

TO: MAKING GOVERNMENT WORK
BETTER COMMITTEE

FROM: Scott P. Johnson

SUBJECT: INVESTMENT REPORT FOR
THE QUARTER ENDED
SEPTEMBER 30, 2006

DATE: October 31, 2006

Approved

Kay Winer

Date

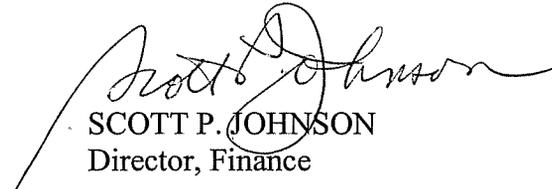
10/31/06

Attached is the transmittal letter of the City's investment report for the quarter ended September 30, 2006. This is a summary of the investment activity for the quarter in compliance with the reporting requirements as set forth in the California Government Code Sections 53600 et seq. and the City of San José Investment Policy. The full report is available on the City's website at www2.csjfinance.org and a hard copy is on file in the City Clerk's office at 200 East Santa Clara Street.

The total investment portfolio as of September 30, 2006 was \$1.122 billion. This is a decrease of approximately \$110 million from June 30, 2006, primarily due to transfers to trustees for debt service, in addition to accounts payable and payroll-related expenditures. For the quarter ended September 30, 2006, the earned interest yield was 4.149%, an increase of 0.205% from the quarter ended June 30, 2006, reflecting the reinvestment, in a higher interest rate environment, of maturing securities purchased in periods of lower interest rates. The weighted average days to maturity as of September 30, 2006 was 314 days, a decrease of 13 days from 327 days as of June 30, 2006. As of September 30, 2006, approximately 92% of the portfolio consists of U.S. Treasury and Federal Agency securities.

The City's investment strategy continues to meet our cash flow needs while investing in the 12-to-24 month horizon to mitigate market risk. This shorter investment horizon is driven by uncertainty of economic growth, direction of interest rates and investors' continued maintenance of a shorter investment horizon as the yield curve remained inverted (market yields in the mid to long range were lower than shorter term investments). This strategy was developed with the intent to expand the maturity horizon for new investments. However, opportunities to expand the weighted average days to maturity were limited as the City and the Redevelopment Agency had a need for short-term cash flows to meet the cash requirements.

If you have any questions on this investment report, please do not hesitate to call me at (408) 535-7001.


SCOTT P. JOHNSON
Director, Finance

Attachment

cc: Les White, City Manager
Gerald Silva, City Auditor
Richard Doyle, City Attorney
Kay Winer, Chief Deputy City Manager

SENT TO COUNCIL: _____



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: INVESTMENT REPORT FOR
THE QUARTER ENDED
SEPTEMBER 30, 2006

DATE: October 31, 2006

Approved

Kay Winer

Date

10/31/06

INFORMATION

Transmitted herewith is the City's investment report for the quarter ended September 30, 2006 to meet the reporting requirements set forth in the California Government Code Sections 53600 et seq. and the City of San Jose Investment Policy. An electronic version of this report will be posted on the City's website at www2.csjfinance.org and a hard copy will be on file at the City Clerk's Office located at 200 East Santa Clara Street.

A summary of this report will be distributed to the Making Government Work Better Council Committee (MGWB) for discussion during its next meeting and will be agendaized through the MGWB Committee to a subsequent City Council meeting.

The total investment portfolio as of September 30, 2006 was \$1.122 billion. This is a decrease of approximately \$110 million from June 30, 2006, primarily due to transfers to trustees for debt service, in addition to accounts payable and payroll-related expenditures. For the quarter ended September 30, 2006, the earned interest yield was 4.149%, an increase of 0.205% from the quarter ended June 30, 2006, reflecting the reinvestment, in a higher interest rate environment, of maturing securities purchased in periods of lower interest rates. The weighted average days to maturity as of September 30, 2006 was 314 days, representing a decrease of 13 days from 327 days as of June 30, 2006. As of September 30, 2006, approximately 92% of the portfolio consists of U.S. Treasury and Federal Agency securities.

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SCOTT P. JOHNSON
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