CITY AND COUNTY OF BROOMFIELD
CASH AND INVESTMENT REPORT
March 2013

Broomfield manages the cash and investment portfolio in a way that maximizes, in order of priority, (1) safety of principal, (2) liquidity to meet cash flow needs, and (3) yield as available in the current markets.

Broomfield's investment policies, as previously adopted by City Council, and conservative investment practices have resulted in continued safety of deposits and yield performance at a level higher than the stated benchmark level while meeting all cash flow requirements.

CASH AND INVESTMENTS - SUMMARY

Classification of Investments and Total Amount Held as of March 31, 2013

The total cash and invested funds for Broomfield as of March 31, 2013 amounted to $245,184,080 The cash balance was reduced in March when the property tax collections which were received in February were distributed to other entities on March 10, 2013. These payments to other entities totaled just over $27.9 million. All investments held in the portfolio comply with Broomfield's policy on eligible investments. Close review of each investment indicates no credit impairment. The composition of the cash and investment portfolio is as follows:

City and County of Broomfield - Cash and Invested Funds as of March 31, 2013		
Investment Portfolio		
Federal Farm Credit Bank (FFCB)	$	44,000,000
Federal Home Loan Bank (FHLB)		134,200,000
Total Investments	$	178,200,000
Cash and Money Market Type Accounts		
Cash Balances	$	42,394,612
Local Government Investment Pools		23,433,043
Colorado State Bank - Local Government Investment Pool		1,056,425
Great West Bank - Certificate of Deposit		100,000
Total Cash and Money Market Type Accounts	$	66,984,080
Total Cash and Investments for the end of this period	$	245,184,080

A complete listing of the investment portfolio is included as Attachment 1 to this memo.

Average Balances and Interest Earnings

- The weighted average maturity of Broomfield's cash and investments at March 31, 2013 is 26.1 months. This increased from February due to the outflow of cash to other taxing agencies in March and also because $21M in cash was used to purchase new investments with maturities in 2018.
- The projected average yield (interest income) on the portfolio for 2013 is 0.8%, which outperforms the local government investment pool benchmark of 0.18%.
- Annualized earnings on investments for the years 2013, 2012 and 2011 are displayed in the table below. This demonstrates the reductions that have been recognized nationally in interest earnings and yields as a result of the economic downturn and the Federal Reserve policies to keep interest rates low.

	2013 (Estimated)	2012	2011
Average Cash Balance	$210,000,000	$197,220,693	$181,725,383
Interest Earnings	$1,650,000	$1,856,983	$3,257,026
Yield	0.8%	0.94%	1.79%

Cash Flow Model

Broomfield uses a rolling twelve-month cash flow model to analyze and plan for cash management. Funds to be invested are identified and managed through investments as allowed by Colorado statute, Broomfield's home rule charter, and Broomfield's Municipal Code (Chapter 3.18).

ELIGIBLE INVESTMENTS - BROOMFIELD INVESTMENT POLICY

In accordance with the Investment Policy, Broomfield investments may include:

- Depositaries enumerated in section 24-75-603, C.R.S., and secured as provided in articles 10.5 and 47 of title 11, C.R.S.
- Certificates of deposit or similar instruments at any state or national bank or savings and loan association, provided that the entire amount of such deposit is insured by the federal deposit insurance corporation or the federal savings and loan insurance company. All such deposits in out-of-state banks or savings and loans must have a rate of return which is at least seventy-five basis points greater than the best in-state quote received.
- Bonds or other interest-bearing obligations of the United States.
- Bonds or interest-bearing obligations, the payment of which is unconditionally guaranteed by the United States.
- United States government obligation money market funds.
- Bonds which are a direct obligation of the State of Colorado or any county or school district therein.
- State of Colorado, state highway revenue anticipation warrants.
- Bonds which are direct general obligations of any incorporated city in the State of Colorado which has existed continuously for a period of ten years prior to the making of such investment.
- National Housing Act bonds and notes.
- Higher Education Act loans.
- Repurchase agreements of any marketable security otherwise authorized by law where the market value of such security is at all times at least equal to the moneys involved, and there is assignment of such security pursuant to current depositary regulations.
- Any corporate or bank security issued by a corporation or bank that is organized and operated within the United States must mature within three years from the date of settlement and, at the time of purchase, must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency. If the security is a money market instrument such as commercial paper or bankers' acceptance, then the security must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "A1, P1, or F1" by any credit rating agency. Authorized by the State C.R.S. 24-75-601.1

  At no time shall the book value of a public entity's investment in notes evidencing a debt pursuant to this paragraph exceed the following:

  (A) Fifty percent of the book value of the public entity's investment portfolio unless the governing body of the public entity authorizes a greater percent of such book value; or

  (B) Five percent of the book value of the public entity's investment portfolio if the notes are issued by a single corporation or bank unless the governing body of the public entity authorizes a greater percent of such book value.

- Investment pools authorized by part 7 of article 75 of title 24, C.R.S. (Ord. 767 § 1, 1988)

CREDIT QUALITY OF BROOMFIELD'S INVESTMENTS

Credit Quality Risk

Broomfield's investment policy limits the types of investments available and thereby establishes the credit risk allowed on investments. The majority of investments are made in bonds or other obligations of the United States Government, agencies which are backed by unconditional guarantees of the United States Government, investments in government-sponsored enterprises, or investment pools which are all discussed more fully below. The effects of the downgrade by Standard and Poor's from AAA to AA+ for the United States may create some uncertainty. This remains the safest type of investment for Broomfield to hold as compared to other vehicles for long term investments.

Broomfield's investments in U.S. Agency securities issued by the Federal Farm Credit Bank (FFCB) and the Federal Home Loan Bank (FHLB) are rated AA+ by Standard and Poor's and Aaa Moody's Investor Service. These securities are indirectly guaranteed by the U.S. Government. With declining interest rates continuing to be the norm for investments, we will continue to see the federal government call outstanding issues and as bonds are called or mature they will be replaced with bonds bearing lower interest rates. $10,000,000 in bonds are likely to be called in 2013. Another $13,000,000 in bonds will mature during 2013. Few of our other bond holdings have call provisions, so we anticipate holding them until maturity. During February, $10 million of available cash was invested in an FFCB issue that will mature in December, 2017. During March, Broomfield purchased $21M in new FFCB and FHLB securities. These new purchases will mature in 2018. The $10M FHLB purchase does have call provisions that could be activated as early as 9/13/2013.

Local Government Investment Pools: Broomfield's investments in Colorado Local Government Liquid Asset Trust Plus+ (Colotrust) are rated AAAm by Standard and Poor's, AAA/V1 by Fitch's and Aaa by Moody's Investor Service. Broomfield's investments in the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Statewide Investment Program (CSIP) are rated AAAm by Standard and Poor's. CSAFE, CSIP, and Colotrust are investment vehicles established for local government entities in Colorado to pool surplus funds for investment purposes. Colotrust, CSAFE, and CSIP are routinely monitored by the Colorado Division of Securities with regard to operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, Section 6. Net asset values per share in the ColoTrust Plus+ , CSAFE, and CSIP investments pools are reported in their annual reports as $1.00. The fair value of our position in the pools is the same as the value of the pool shares.

Colorado Public Deposit Protection Act (PDPA) Custodial Credit Risk

Guidance from the Colorado Division of Banking concludes that public deposits collateralized under PDPA and held in the name of the government have no custodial credit risk. Colorado state statutes govern Broomfield's deposit of cash. The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. State regulatory commissioners have indicated that all financial institutions holding deposits for Broomfield are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

City and County of Broomfield
Investment Portfolio
Mar-13

Purchase Date	Maturity Date	Coupon/Yield	Description	Face Value
6/29/2011	9/13/2013	4.375	FHLB	3,000,000
5/15/2009	9/27/2013	4.110	FHLB	1,000,000
6/16/2011	10/18/2013	3.625	FHLB	4,000,000
12/31/2008	12/13/2013	3.125	FHLB	5,000,000
5/29/2009	3/17/2014	4.500	FHLB	5,000,000
4/1/2009	3/27/2014	2.850	FHLB	5,000,000
4/24/2009	4/17/2014	2.625	FFCB	5,000,000
5/12/2009	4/17/2014	2.625	FFCB	6,000,000
7/15/2009	6/13/2014	5.375	FHLB	5,000,000
10/6/2009	9/12/2014	3.250	FHLB	4,800,000
11/18/2011	9/12/2014	3.250	FHLB	5,000,000
5/18/2011	5/18/2015	1.600	FFCB	7,000,000
6/16/2011	9/11/2015	1.750	FHLB	4,000,000
6/29/2011	9/11/2015	1.750	FHLB	3,000,000
8/18/2011	9/11/2015	1.750	FHLB	5,250,000
11/18/2011	12/11/2015	1.375	FHLB	2,000,000
10/28/2011	3/11/2016	3.125	FHLB	5,000,000
2/8/2012	6/13/2016	5.625	FHLB	4,000,000
6/14/2012	6/13/2016	5.625	FHLB	6,000,000
6/15/2011	6/28/2016	2.250	FHLB	10,000,000
8/18/2011	6/10/2016	2.125	FHLB	5,250,000
8/25/2011	8/22/2016	1.250	FHLB	4,000,000
8/26/2011	8/22/2016	1.250	FHLB	10,000,000
8/31/2011	9/9/2016	2.000	FHLB	4,000,000
4/30/2012	4/27/2017	1.070	FHLB	9,000,000
8/1/2012	8/1/2017	0.800	FFCB	5,000,000
8/14/2012	9/8/2017	0.750	FHLB	500,000
10/10/2012	9/8/2017	0.750	FHLB	9,400,000
12/18/2012	12/8/2017	0.750	FHLB	5,000,000
2/25/2013	12/13/2017	0.840	FFCB	10,000,000
3/1/2013	3/1/2018	0.910	FFCB	11,000,000
3/13/2013	3/13/2018	0.500	FHLB	10,000,000
		Total		$ 178,200,000

FFCB Federal Farm Credit Bank
FHLB Federal Home Loan Bank