



City of Villa Park
17855 Santiago Boulevard
Villa Park, California 92861
(714) 998-1500

INVESTMENT ADVISORY COMMITTEE

July 18, 2012

9:00 a.m.

The Investment Advisory Committee of the City of Villa Park welcomes you to this meeting. We encourage your participation. This agenda contains a brief description of each item to be considered.

If you wish to speak on an item contained on the agenda, please approach the podium at the time the item is being considered. Upon recognition by the Chair, state your name and address for the record prior to providing your comments. Speakers will be limited to a time period set by the presiding officer.

All supporting information is available for public review in the City Hall offices.

Please Note: In compliance with the Americans with Disabilities Act, the City of Villa Park will make every reasonable attempt to accommodate attendees or participants at this meeting who need special assistance beyond what is normally provided. Please contact the City Hall at (714) 998-1500 at least 48 hours prior to this meeting to inform us of particular needs and to determine if accommodation is feasible. Please advise us at the time of your call if special assistance is required to attend or participate in meetings on a regular basis.

ORDER OF BUSINESS

1. CALL TO ORDER

2. ROLL CALL

William Nelson, Chair, Investment Advisory Committee
William Underwood, Vice-Chair, Resident Member
Dan Carlberg, Resident Member
James Rheins, Resident Member
Steven Pollack, Resident Member
Rich Ulmer, Councilmember, Chair City Council Finance Committee
Bill MacAloney, Councilmember, City Council Finance Committee
Dennis Kuli, City Treasurer

3. PLEDGE OF ALLEGIANCE

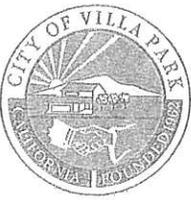
4. PUBLIC COMMENT

5. DISCUSSION ITEMS

- a) Review of April 2012 Regular Minutes.
- b) Review and discuss current investment activities.
- c) Review and discuss Vice-Chair Underwood's 1/29/12 email discussion items.

6. ADJOURNMENT

Next regular meeting date is October 17, 2012 at 9:00 AM.



City of Villa Park
17855 Santiago Boulevard
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INVESTMENT ADVISORY COMMITTEE
Summary Minutes
April 18, 2012

1. CALL TO ORDER

The meeting was called to order at 9:00 a.m. by Chair Nelson.

2. ROLL CALL

The following members and attendees were present:

Bill Nelson, Chair, Investment Advisory Committee

Bill Underwood, Vice-Chair, Resident Member

Dan Carlberg, Resident Member

James Rheins, Resident Member

Steven Pollack, Resident Member

Rich Ulmer, Mayor, City Council Finance Committee Chair

Dennis Kuli, City Treasurer

Michelle Danaher, Finance Director

Don Powell, Interim City Manager

The following members and attendees were absent:

Bill MacAloney, Councilmember, City Council Finance Committee

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT

No public comment.

5. DISCUSSION ITEMS

a. Review of January 2012 minutes.

- Resident Member Carlberg moved approval, seconded by Vice-Chair Underwood. Motion carried 6-0.

b. Review and discuss revisions to the City Investment Policy.

- Finance Director Danaher presented the Prior Year Investment Policy and opened the discussion up to revisions from the IAC. A minor discussion occurred and Resident Member Carlberg moved for approval of the City Investment Policy (with approval date changes), seconded by Resident Member Pollack. Motion carried 6-0. This recommendation will be presented at the May 22, 2012 Council meeting.

c. Review and discuss current staffs banking services recommendation.

- Finance Director Danaher presented staff's analysis of the RFP process for banking and investing services. Staff recommended the City maintain its current banking relationship with F&M Bank and investing relationship with Wells Fargo Advisors. A lengthy discussion ensued and the IAC requested that the Finance Director present a detailed analysis between F&M and Union Bank to the IAC via email. The IAC members are to respond back to Finance Director Danaher via email no later than May 15, 2012, on their individual recommendation of which bank should be utilized. Discussion was also had about the City investing \$100,000 in a Union Bank CD. Vice-Chair Underwood moved that the City invest \$100,000 with Union and respond back via email to the Finance Director on their banking choice, Resident Member Pollack seconded. Motion carried 6-0.

d. Review and discuss current investment activities.

- Finance Director Danaher presented current investment activities for the last quarter. A brief discussion was had, no action taken.

6. ADJOURNMENT

The meeting was adjourned at 10:00 am. The next regular meeting of the IAC will be held on Wednesday, July 18, 2012, at 9:00 a.m.

CITY OF VILLA PARK
 TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
 30-Jun-12

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Par Value	Balance Amount	% of Total Investment	
<u>Cash on Deposit</u>											
F&M Checking Account											
F&M Parking Citation Account				0.01%	***				\$ 156,212.88	5%	
F&M Money Market Account				0.14%	***				1,323.04	0%	
Petty Cash									18,030.93	1%	
WF Cash Bank Deposit Sweep									400.00	0%	
									100,875.06	3%	
<u>Investments</u>											
State-Local Agency Investment Fund**				0.36%	**	1,165,454.70 †			1,163,620.29	1	37%
Wedge County Investment Pool				0.54%	*				876,737.36	2	28%
<u>Government Bonds:</u>											
Federal Home Ln Mtg Corp Notes	6/15/2011	1/9/2013	1/9/2013	1.38%	^	100,547.00	1.36%	101,642.13	101,196.31	#,6	3%
Federal Home Ln Mtg Corp Notes	1/30/2012	10/30/2015	1/30/2013	1.00%	^	100,136.00	0.99%	100,005.00	100,549.89	#,6	3%
Federal Natl Mtg Assn Notes	12/28/2011	12/28/2016	6/28/2012	1.75%	^	<i>Called 6/28/12.</i>					
Federal Natl Mtg Assn Notes	4/24/2012	4/24/2017	10/24/2012	1.50%	^	100,234.00	1.49%	100,005.00	100,504.83	#,6	3%
Subtotal of Government Bonds						300,917.00		301,652.13		5	10%
<u>Certificates of Deposits:</u>											
Columbus Bank & Trust CO	1/29/2010	7/30/2012		1.55%	^	100,088.00	1.54%	100,000.00	100,733.48	#,4	3%
BB Money Bank CD	8/13/2010	8/13/2013		1.55%	^	101,011.00	1.53%	100,000.00	101,592.78	#,4	3%
Midfirst Bank OK	2/3/2010	2/3/2014		2.25%	^	101,799.00	2.21%	100,000.00	102,705.16	#,4	3%
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	103,371.00	2.70%	100,000.00	104,498.67	#,4	3%
State Bank India	8/12/2011	8/12/2016		2.00%	^	101,388.00	1.97%	100,000.00	102,144.16	#,4	3%
Subtotal of Certificates of Deposits						507,657.00		500,000.00		3	16%
TOTAL CASH ON DEPOSIT & INVESTED									\$ 3,131,124.84	100%	

* Monthly Annualized Net Interest Rate (gross) - admin. charges for month (includes whistlejacket gain): \$ 58.76

** Prior Months Annualized Interest Rate

† Monthly Annualized Interest Rate

Market Value Local Agency Investment Fund as of June 2011.

^ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.

1 Market value plus accrued interest at the end of the month.

2 Not to exceed 80% of total investments

3 Not to exceed 33% of total investments

4 Not to exceed 30% of total investments at time of purchase.

5 Not to exceed 5% of a single issuer at the time of purchase.

6 Not to exceed 100% of total investments at time of purchase.

7 Not to exceed 40% of a single issuer at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.

I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

City Treasurer

Date Submitted to City Council

CITY OF VILLA PARK
 TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
 31-May-12

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Par Value	Balance Amount	% of Total Investment
Cash on Deposit										
F&M Checking Account									\$ 127,095.34	4%
F&M Parking Citation Account				0.01%	***				1,000.00	0%
F&M Money Market Account				0.15%	***				68,940.56	2%
Petty Cash									400.00	0%
W/F Cash Bank Deposit Sweep									-	0%
Investments										
State-Local Agency Investment Fund**				0.36%	**	937,095.27 +			935,620.29	1 31%
Orange County Investment Pool				0.39%	*				964,774.76	2 32%
Government Bonds:										
Federal Home Ln Mtg Corp Notes	6/15/2011	1/9/2013	1/9/2013	1.38%	^	100,638.00	1.36%	101,642.13	101,180.36	#,6 3%
Federal Home Ln Mtg Corp Notes	1/30/2012	10/30/2015	1/30/2013	1.00%	^	100,191.00	0.99%	100,005.00	100,524.33	#,6 3%
Federal Natl Mtg Assn Notes	12/28/2011	12/28/2016	6/28/2012	1.75%	^	100,096.00	1.74%	100,105.00	100,839.75	#,6 3%
Federal Natl Mtg Assn Notes	4/24/2012	4/24/2017	10/24/2012	1.50%	^	100,312.00	1.49%	100,005.00	100,466.17	#,6 3%
<i>Subtotal of Government Bonds</i>						<u>401,237.00</u>		<u>401,757.13</u>		5 13%
Certificates of Deposits:										
Columbus Bank & Trust CO	1/29/2010	7/30/2012		1.55%	^	100,203.00	1.54%	100,000.00	100,725.33	#,4 3%
GE Money Bank CD	8/13/2010	8/13/2013		1.55%	^	101,152.00	1.53%	100,000.00	101,610.63	#,4 3%
Widfirst Bank OK	2/3/2010	2/3/2014		2.25%	^	101,931.00	2.20%	100,000.00	102,658.40	#,4 3%
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	103,425.00	2.70%	100,000.00	104,330.21	#,4 3%
State Bank India	8/12/2011	8/12/2016		2.00%	^	101,268.00	1.97%	100,000.00	101,865.26	#,4 3%
<i>Subtotal of Certificates of Deposits</i>						<u>507,979.00</u>		<u>500,000.00</u>		3 17%
TOTAL CASH ON DEPOSIT & INVESTED									<u>\$ 3,012,031.39</u>	<u>100%</u>

* Monthly Annualized Net Interest Rate (gross) - admin. charges for month: \$ 41.20

** Prior Months Annualized Interest Rate

*** Monthly Annualized Interest Rate

+ Market Value Local Agency Investment Fund as of June 2011.

- investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.

market value plus accrued interest at the end of the month.

1 Not to exceed 80% of total investments

2 Not to exceed 33% of total investments

3 Not to exceed 30% of total investments at time of purchase.

4 Not to exceed 5% of a single issuer at the time of purchase.

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I hereby certify that this report accurately reflects all the City of Villa Park Investments and complies with the investment policy of the City of Villa Park as approved by the City Council.

I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

CITY OF VILLA PARK
 TREASURER'S REPORT OF CASH ON DEPOSIT AND INVESTED
 30-Apr-12

	Purchase Date	Maturity Date	Callable Date	Guaranteed Rate		Market Value	Estimated Annual Yield to Maturity	Par Value	Balance Amount	% of Total Investment
Cash on Deposit										
F&M Checking Account				0.01%	***				\$ 126,499.21	4%
F&M Parking Citation Account				0.14%	***				1,000.00	0%
F&M Money Market Account									646,040.35	23%
Petty Cash									400.00	0%
WF Cash Bank Deposit Sweep									-	0%
Investments										
State-Local Agency Investment Fund**				0.37%	**	501,409.50 +			500,620.29	¹ 18%
Orange County Investment Pool				0.40%	*				669,815.96	² 23%
Government Bonds:										
Federal Natl Mtg Assn Notes	6/15/2011	4/4/2012	4/4/2012	1.00%	^	<i>Called 4/4/12.</i>				
Federal Home Ln Mtg Corp Notes	6/15/2011	1/9/2013	1/9/2013	1.38%	^	100,850.00	1.36%	101,642.13	101,273.96	^{#,6} 4%
Federal Home Ln Mtg Corp Notes	1/30/2012	10/30/2015	1/30/2013	1.00%	^	100,175.00	0.99%	100,005.00	100,425.00	^{#,6} 4%
Federal Natl Mtg Assn Notes	12/28/2011	12/28/2016	6/28/2012	1.75%	^	100,210.00	1.74%	100,105.00	100,803.06	^{#,6} 4%
Federal Natl Mtg Assn Notes	4/24/2012	4/24/2017	10/24/2012	1.50%	^	100,386.00	1.49%	100,005.00	100,411.00	^{#,6} 4%
<i>Subtotal of Government Bonds</i>						<u>401,621.00</u>		<u>401,757.13</u>		⁵ 14%
Certificates of Deposits:										
Columbus Bank & Trust CO	1/29/2010	7/30/2012		1.55%	^	100,309.00	1.54%	100,000.00	100,699.69	^{#,4} 4%
GE Money Bank CD	8/13/2010	8/13/2013		1.55%	^	101,268.00	1.53%	100,000.00	101,594.99	^{#,4} 4%
Midfirst Bank OK	2/3/2010	2/3/2014		2.25%	^	102,050.00	2.20%	100,000.00	102,586.30	^{#,4} 4%
American Express Centurion Bank	2/3/2010	2/3/2015		2.80%	^	103,459.00	2.70%	100,000.00	104,126.40	^{#,4} 4%
State Bank India	8/12/2011	8/12/2016		2.00%	^	101,081.00	1.97%	100,000.00	101,508.40	^{#,4} 4%
<i>Subtotal of Certificates of Deposits</i>						<u>508,167.00</u>		<u>500,000.00</u>		³ 17%
TOTAL CASH ON DEPOSIT & INVESTED									<u>\$ 2,857,804.61</u>	<u>100%</u>

¹ Monthly Annualized Net Interest Rate (gross) - admin. charges for month: \$ 44.52

² Prior Months Annualized Interest Rate

³ Monthly Annualized Interest Rate

⁴ Market Value Local Agency Investment Fund as of June 2011.

⁵ Investments were purchased through our authorized broker dealer, Wells Fargo Advisors, LLC.

⁶ Market value plus accrued interest at the end of the month.

⁷ Not to exceed 80% of total investments

⁸ Not to exceed 83% of total investments

⁹ Not to exceed 30% of total investments at time of purchase.

¹⁰ Not to exceed 5% of a single issuer at the time of purchase.

¹¹ Not to exceed 100% of total investments at time of purchase.

¹² Not to exceed 40% of a single issuer at the time of purchase.

I hereby certify that this report accurately reflects all the City of Villa Park investments and complies with the investment policy of the City of Villa Park as approved by the City Council.

I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

 City Treasurer

 Date Submitted to City Council

**Monthly Cash Analysis
As of 6/30/12**

Month	Fiscal Year											Annual (Average)
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12		
	2,066,970.84	2,057,247.60	2,155,842.54	1,834,829.93	1,629,419.01	2,330,513.12	2,325,293.53	3,029,682.15	2,006,211.19	1,933,776.44	*	2,136,97
	1,963,852.54	1,715,538.57	2,062,312.44	1,661,497.43	1,688,323.60	2,006,854.03	2,137,123.97	2,810,920.66	1,888,897.72	1,618,443.56	*	1,955,30
	2,000,760.90	1,671,443.20	1,633,703.01	1,524,362.96	1,552,077.91	2,112,212.18	2,069,801.14	2,483,578.08	1,785,904.42	1,313,022.91	*	1,814,60
	1,951,824.08	1,645,881.58	1,510,718.71	1,425,308.42	1,553,442.48	1,860,605.69	1,881,990.85	2,237,848.70	1,985,405.16	1,185,310.29	*	1,723,80
	1,959,449.01	1,724,770.06	1,574,593.88	1,352,085.37	1,667,959.78	1,781,284.82	1,904,807.90	2,253,193.98	1,868,025.15	1,101,568.31	*	1,718,70
	2,067,899.84	1,953,559.39	2,160,088.34	1,526,656.42	2,082,728.18	2,410,563.28	2,547,409.95	2,758,043.85	2,487,206.79	1,894,916.49	*	2,188,90
	1,988,237.92	1,879,742.42	2,068,537.90	1,773,732.82	2,499,839.82	2,613,254.94	2,875,714.27	2,923,242.01	2,890,699.40	2,516,180.19		2,402,90
	1,932,571.30	1,846,165.53	1,945,588.33	1,553,595.44	2,474,449.42	2,231,402.31	2,435,405.46	2,681,111.97	2,784,580.53	2,410,102.49		2,229,40
	1,918,799.59	1,986,797.00	1,910,141.61	1,413,897.33	1,979,322.37	2,318,919.12	2,322,817.69	2,567,271.14	2,357,432.87	2,310,234.28		2,108,50
	2,124,014.56	2,215,507.89	2,113,797.70	1,630,189.95	2,509,767.67	2,863,404.74	2,968,242.86	3,150,989.50	2,857,509.34	2,846,132.94		2,527,90
	2,175,875.11	2,249,427.87	2,299,469.08	1,922,273.76	2,641,566.75	2,959,817.97	2,879,334.88	2,897,592.84	2,919,015.94	2,999,588.08		2,594,30
	2,110,937.88	2,179,797.00	2,228,027.43	1,760,053.86	2,434,198.80	2,636,786.88	2,800,449.29	2,599,847.08	2,228,838.30	3,118,081.63		2,409,70
Annual Average	2,021,766.13	1,927,156.51	1,971,901.75	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,699,443.50	2,338,310.57	2,524,735.76		2,193,04
Unsecured CDs												
Secured Agencies								(500,000.00)	(500,000.00)	(500,000.00)		(450,00
Annual Liquid Average	2,021,766.13	1,927,156.51	1,971,901.75	1,614,873.64	2,059,424.65	2,343,801.59	2,429,032.65	2,449,443.50	1,796,758.44	1,723,083.63		1,582,98
<p>* The reason for the lower cash balance is a direct result of the \$500,000 plus of grant reimbursements pending from capital projects at the end of fiscal years. Represents the lowest cash balance of the fiscal year.</p>												

Michelle Danaher

From: Bill Nelson [bill622@aol.com]
Sent: Wednesday, July 11, 2012 1:51 PM
To: 'uwood42 @dslextreme.com'
Cc: 'Daniel J. Carlberg'; 'Rich Ulmer'; 'Michelle Danaher'; jameser@roadrunner.com; steven@stevenpollack.com; 'Dennis & Jill Kuli'; 'Dennis Kuli'; jhillenbrand@villapark.org
Subject: RE: Couple of VP IAC topics to discuss next meeting in April?

Michelle,

Please put Bill Underwood's items on the next agenda for discussion.

I will be unable to attend the meeting so Vice Chair Bill Underwood will Chair the meeting.

Bill Nelson
OC Signature Properties
2901 E. Katella Ave., Ste D
Orange, CA 92867
Mobile: 714.809.4463
FAX: 714.974.6078
email: bill622@aol.com
CADRE License #01291563

From: uwood42 @dslextreme.com [mailto:uwood42@dslextreme.com]
Sent: Monday, July 09, 2012 3:49 PM
To: Bill Nelson
Cc: Daniel J. Carlberg; Rich Ulmer; Michelle Danaher; jameser@roadrunner.com; steven@stevenpollack.com; Dennis & Jill Kuli; Dennis Kuli; jhillenbrand@villapark.org
Subject: Re: Couple of VP IAC topics to discuss next meeting in April?

Bill Nelson & Michelle -

I notice we have a VP IAC meeting coming up in 2 weeks on July 18th, if I am not mistaken.

At the last meeting, I believe this January email was misplaced and not put on the VP IAC agenda,

so it may be a stale request now 6 months later.

I note that it had copied Bob Fateux and Lori Sassoon, so I will delete them and attempt to Jared Hillenbrand.

Not sure if Bill M. or our new councilman is now a member in place of Bob F., so feel free to forward to anyone I missed.

See below - if still pertinent and applicable, I still would like to add the following 3 items for discussion below so we don't get stale and in an investment thinking rut in these low yield times where future inflation may exceed returns.

So maybe agenda topics could be added to our upcoming agenda, if appropriate -[

1. Reserve level trends, fund accounting and City Council intentions (see email questions below)
2. Wells Fargo economic and interest rate outlook (see email discussion below)

3. Open discussion of additional viable investment alternatives, if any
 - a. CalTrust see <http://www.caltrust.org/>
 - b. Blue Chip Corporate Bond Funds holding maturities less than 5 years, to eliminate price fluctuations.
 - c. Blue Chip Dividend Yielding Stock Funds with AAA ratings
 - d. Other Ideas to explore

Thanks

Carpe Diem.

See you in a couple of weeks.

Bill

On Mon, Jan 30, 2012 at 11:07 PM, Bill Nelson <bill622@aol.com> wrote:

Michelle,

Please place Bill Underwood's items for discussion on the next agenda.

Bill Nelson
OC Signature Properties
2901 E. Katella Ave., Ste D
Orange, CA 92867
Mobile: 714.809.4463
FAX: 714.974.6078
email: bill622@aol.com
CADRE License #01291563

From: [uwood42 @dslextreme.com](mailto:uwood42@dslextreme.com) [mailto:uwood42@dslextreme.com]

Sent: Sunday, January 29, 2012 9:22 PM

To: Bill Nelson

Cc: Bill Underwood; Daniel J. Carlberg; Rich Ulmer; Bob Fauteux; Lori Sassoon; Michelle Danaher;

jameser@roadrunner.com; steven@stevenpollack.com; Dennis & Jill Kuli; Dennis Kuli

Subject: Couple of VP IAC topics to discuss next meeting in April?

Bill Nelson -

It seems like the VP IAC now has a secure 5 year investment ladder mechanism and working well for 5 year Treasuries and FDIC ensured CDs and earning 1 or 2 points higher than LAIF and OCIP for reserve funds+ specified by the City Council.

I would like to see the following informational topics discussed interactively to educate us as VP IAC members. at the next meeting, if appropriate.

I have no predetermined biases on any positions on these issues. They just seem worth discussing and getting everyone on the same page and have a bit of dialogue now that we have refreshed the membership of the committee.

They are:

I. Reserves -

7/1/2013

- a. What are the pros and cons of having the City initiate the use of Reserve Fund Accounting to officially designate those monies and their spending restrictions that we can invest at the 5 year limits?
- b. Have the reserve monies that we can invest, decreased? Are there contingent potential spending plans that we should be aware of?
- c. What are the Council's \$ goals to increase the level of reserve monies in 2012? 2013? like previous councils have?

2. Long-range investing strategy -

- a. Our approach in the last couple of years was to maintain the principal safety 1st strategy, maintain liquidity 2nd, and improve the relative yield 3rd over the OCIP and LAIF returns by matching Long term (5 year+) monetary needs with Long term (5 years as limited by Law) investment yields.
- b. What other instruments should we consider and discuss & weigh the pros and cons, given our prioritized goals in order of 1) Principal Safety 2) Liquidity and 3) Yield.
- c. This question is asked in light of the Fed's recent pronouncement that they would not have any interest rates for the next 3 years!

3. Just One recent analyst's view of the Future (that I received recently) in terms of No Increase in Fed Interest Rates until the End of 2014 -

"On Wednesday, the Beard made is announcement that they were NOT GOING TO INCREASE the interest rates UNTIL the end of 2014. That's 3 years! Because this announcement, I understood that the Federal Reserve is destroying the "market pricing mechanism" by artificially keeping the rated low. Why? IF interest rates do not reflect "Market Pricing" how can any other asset's "real worth" be determined? Since these asset prices are usually determined/calculated from interest rates! Artificial (non-Market) interest rates mean artificial (non-Market) asset prices. Make sense?

By announcing that there will not be any interest rate increases for 3 years the Feds just gave a gift. You can buy any treasury bond and will not have to worry for 3 years about losing principal for three years! . No wonder bonds are low. You can buy a 10 year treasury and get a 2% Guaranteed return (that means NO RISK) for three years. Banks are loading up. Free spread. Why loan money? Secondly, the Feds will continue to print money. If you receive free money ... why not put it into the market? If you lose ... the Feds will just give you more. Everything is being driven on LIQUIDITY and the printing of money. (Dollar devaluation.) Everything in the markets are now correlated. That should not happen in a normal market. Messing with the value of money ... messes with any decision that is based upon the value of money. The S&P is up 4.69% just in January. Gold (which is the stored value of wealth and an alternative for money) is up 10.8%! Gold pricing reflects liquidity and the devaluation of money.

What does this mean to you? Don't get upset that the markets do not seem rational. Just remember: the Federal Reserve is destroying the "market pricing mechanism" by artificially keeping the rated low. Why? IF interest rates do not reflect "Market Pricing" how can any other asset's "real worth" be determined?"

4. VP IAC -

Seems like a good discussion to reaffirm and/or discuss potential additive ideas as well.

So maybe agenda topics could be added to our next agenda, like:

1. Reserve level trends, fund accounting and City Council intentions
2. Wells Fargo economic and interest rate outlook
3. Open discussion of additional investment alternatives, if any

Bill, I will copy VP staff and the VP IAC for agenda general awareness, if you choose to have these topics placed on the next VP IAC agenda.

Look forward to seeing you then.

Faint, illegible text in the center of the page.

- Bill Underwood

