

3/20/95

Agenda #7

C. Dueby

Ordered: That the City Manager provide a further information regarding the mutual fund investments of the Retirement Board and regarding the investments and methods utilized by ~~the return top 26~~ retirement boards ranked number one to twenty six.

9-0-0.



City of Cambridge

Agenda # 7

IN CITY COUNCIL

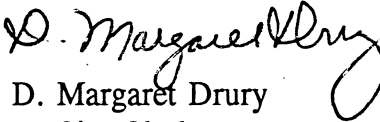
March 20, 1995

COUNCILLOR DUEHAY

ORDERED: That the City Manager be and hereby is requested to provide further information regarding the mutual fund investments of the Retirement Board and regarding the investments and methods utilized by retirement boards ranked number one to twenty-six.

In City Council March 20, 1995.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
Attest:- D. Margaret Drury, City Clerk.

A true copy;

ATTEST:- 
D. Margaret Drury
City Clerk



City of Cambridge

Agenda # 7

IN CITY COUNCIL

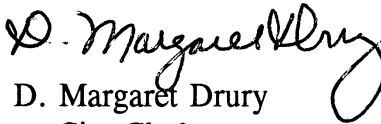
March 20, 1995

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In City Council March 20, 1995.
Adopted by a yea and nay vote:-
Yeas 9; Nays 0; Absent 0.
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A true copy;

ATTEST:- 
D. Margaret Drury
City Clerk



CITY OF CAMBRIDGE
Finance Department
City Hall, Cambridge Massachusetts 02139

Administration 349-4212
Tax/Utility Coll 349-4220
Treasury 349-4212
Payroll 349-4290

To: Robert Healy, City Manager
From: James P. Maloney, Jr., Assistant City Manager for Fiscal Affairs
Re: Council Order #10 of January 30, 1995
Date: February 28, 1995

The following report is in response to Council Order #10 of January 30, 1995, concerning City investments. At the end of the report is a summary of the City's cash and investment position as of the end of the last two fiscal years and at December 31, 1994. This report deals only with investments of the City of Cambridge, not its Retirement Board. As you are aware, I have no authority over Retirement Board investments.

Cambridge Compared to Orange County

Orange County's investment problems were caused by four factors, rising interest rates, the use of derivatives, leveraging and the practice of placing large bets on the direction of interest rates. The City of Cambridge does not use leverage, does not invest in derivative securities, nor do we speculate on the direction of interest rates. Because we do not engage in these return enhancing practices, we have actually benefitted from rising interest rates.

The use of leverage, or borrowing funds and using the proceeds for investment, and the use of derivative securities exaggerate the effect of a change in interest rates on the value of investments. Potential risks, as well as potential returns, increase with the use of these techniques. When interest rates rise, the value of fixed income investments generally fall, conversely when rates fall values rise. Gains or losses are only realized when investments are sold prior to maturity. Cambridge generally holds securities until maturity.

Massachusetts General Laws, Chapter 44, sections 54-55B (attachment I) govern general municipal investment. There are numerous sections that are concerned with narrow facets of municipal investment. Massachusetts laws and regulations are considered among the most conservative in the country.

The City identifies five separate classes of investments, enterprise fund investments, bond proceed investments, trust investments, operating fund investments and retirement investments. The first four categories are invested using the same essential guidelines.

Enterprise, Bond Proceeds, Trust and Operating Fund Investments

The City maintains an investment policy that is periodically reviewed by the Finance Director and the City Manager. The general policy considers, in order of importance, safety, return, liquidity and compliance with the Community Reinvestment Act. A copy of the current policy is attached (attachment II).

The City has, almost exclusively for the past three years, invested in direct obligations of the United States (Treasuries). Interest and principal of these obligations are guaranteed by the full faith and credit of the U.S. Government. Treasuries have similar interest rates to Certificates of Deposits (CD's) of similar maturities, but CD's are only guaranteed up to the FDIC limit, currently \$100,000. CD interest is not guaranteed at all. CD's carry penalties if redeemed prior to maturity, whereas Treasuries can be bought or sold at any time, but may be subject to price fluctuation.

Investments are purchased through local offices of National Association of Security Dealers (NASD) registered brokers/dealers on a competitive bid basis.

The specific maturities the City selects are dictated primarily by a determination of cash requirements. If at all possible, the City prefers to use a "laddering" approach, in which multiple investments are made using a series of maturities in fairly regular intervals. This provides a constant source of maturing investments and, at the same time, allows us to take

advantage of longer maturities, usually carrying higher yields. Laddering helps enable us to hold virtually all our investments to maturity, thus avoiding early liquidation and potential for capital loss.

Funds that need to remain in cash are usually invested in the Massachusetts Municipal Depository Trust (MMDT). The MMDT is essentially a money market fund approved for use by all municipalities in the Commonwealth by the state Treasurer. It does not invest in derivatives, nor does it utilize leverage. It does maintain a well diversified portfolio of very short term governmental and corporate obligations. The MMDT is currently managed by Fidelity Investments for the Commonwealth. The state Treasurer is the Trustee of the MMDT.

In the past 10 years the City has never incurred a capital loss on an investment, nor has any interest payment been delayed or omitted. Over the same period, the City has received interest at very competitive rates.

CASH AND INVESTMENT POSITIONS

	6/30/93	6/30/94	12/31/94
Cash	\$ 500	\$ 500	\$ 500
Bank Balances	15,310,541	6,235,786	957,395
MMDT Deposits	70,181,181	64,691,149	46,667,831
CD's	0	0	0
U.S. Treasuries	10,001,644	40,634,992	68,756,369
Totals	\$95,493,866	\$111,562,427	\$116,382,095

In closing, because of the restrictive state statutes involved, along with the City's investment policy, it is my belief that the City's investments are sufficiently protected. I would be glad to discuss this matter further with you or the City Council if that is deemed necessary.

DISTRICTS

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Government to ex-
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MUNICIPAL FINANCE

44 § 55

tion of the next annual tax rate, unless the city, town or district has otherwise made provisions therefor. The amount of such payment made by a regional school district or regional refuse disposal district shall be included in the next annual district operation and maintenance budget, unless the regional district committee has otherwise made provisions therefor. The director of accounts may promulgate guidelines, rules and regulations to govern such rebates and any such rebates made under authority of this section shall be subject to any such guidelines, rules and regulations of said director.

Added by St.1989, c. 594, § 5.

§ 54. Investment of trust funds

Trust funds, including cemetery perpetual care funds, unless otherwise provided or directed by the donor thereof, shall be placed at interest in savings banks, trust companies incorporated under the laws of the commonwealth, banking companies incorporated under the laws of the commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invested by cities or towns in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or in paid-up shares and accounts of and in co-operative banks, or in shares of savings and loan associations or in shares or savings deposits of federal savings and loan associations doing business in the commonwealth to an amount not exceeding one hundred thousand dollars, or in bonds or notes which are legal investments for savings banks. Cities and towns having such funds in the custody of the treasurer in an aggregate amount in excess of two hundred and fifty thousand dollars may also invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen per cent of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half per cent of such funds be invested in the stock of any one bank or insurance company. This section shall not apply to the city of Boston.

Amended by St.1933, c. 200; St.1946, c. 358, § 24; St. 1948, c. 194, § 1; St.1949, c. 243; St.1953, c. 83; St.1954, c. 47; St.1962, c. 257; St.1970, c. 53; St.1971, c. 299; St.1977, c. 51; St.1979, c. 98, § 1; St.1980, c. 15; St.1982, c. 52.

Historical and Statutory Notes

St.1913, c. 719, §§ 1, 17.
 St.1916, c. 101.

§ 55. Public funds on deposit; limitations; investments

A city, town, or district or regional school district shall not at any one time have on deposit in a bank or trust company or banking company an amount exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess. The treasurer of any city, town, district or regional school district shall not deposit funds for which he is accountable in any bank, trust company or banking company with which such treasurer is associated as an officer or employee or has been associated as an officer or employee at any time during the three years immediately preceding the date of any such deposit. For the purpose of paying the principal or interest due on any bond, note or other obligation of the city of Boston, which is payable or requested to be paid in the city of New York, the city of Boston may keep on deposit in any national bank or trust company in the city of New York a sum not exceeding in the aggregate twenty-five thousand dollars; provided, that for a period of two weeks prior to the date of any such payment or payments, said amount may be increased by a sum or sums sufficient to cover the same. A treasurer of a city, town, district or regional school district may invest such portion of revenue cash as he shall deem not required to pay expenses until such cash is available and all or any part of the proceeds from the issue of bonds or notes, prior to their application to the payment of liabilities incurred for the purposes for which the bonds or notes were authorized, in term deposits or certificates of deposit, in trust companies, national banks, savings banks, banking companies or cooperative banks, or in obligations issued or unconditionally guaranteed by the United States government or an agency thereof and having a maturity from date of purchase of one year or less, or in United States government securities or securities of United States government agencies purchased under an agreement with a trust company, national bank or banking company to repurchase at not less than the original purchase price of said securities on a fixed date, not to exceed ninety days, or in participation units in a combined investment fund under section thirty-eight A of chapter twen-

44 § 55

ty-nine; provided, however, that no temporary notes in anticipation of revenue shall be issued under section four as long as any revenue cash, exclusive of revenue sharing or other revenue cash the use of which is restricted to purposes other than current maintenance expenses, remains so invested.

Amended by St.1948, c. 143, § 1; St.1951, c. 59; St.1953, c. 103; St.1960, c. 253; St.1960, c. 592, § 4; St.1967, c. 46, § 9; St.1967, c. 91; St.1971, c. 545; St.1973, c. 224; St.1974, c. 90; St.1974, c. 548; St.1975, c. 248; St.1976, c. 128; St.1979, c. 782, § 2; St.1982, c. 134; St.1987, c. 257.

Historical and Statutory Notes

St.1893, c. 266.
R.L.1902, c. 25, § 19.
St.1921, c. 486, § 13.

§ 55A. Liability of depositor for losses due to bankruptcy

A city, town, district or regional school district officer receiving public money and lawfully and in good faith and in the exercise of due care depositing the same in a savings bank or trust company organized under the laws of the commonwealth, on paid-up shares and accounts of and in cooperative banks, a banking company organized under the laws of the commonwealth which is a member of the Federal Deposit Insurance Corporation, or in a national bank doing business in the commonwealth or in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or, in the case of the city of Boston, in accordance with the provisions of section fifty-five in a national bank or trust company in the city of New York, or in good faith and in the exercise of due care purchasing share accounts of a federal savings and loan association located in the commonwealth, shall not be personally liable to the city, town, district or regional school district for any loss of such money by reason of the closing up of such depository or federal¹ and loan association for the liquidation of its affairs.

Amended by St.1948, c. 143, § 2; St.1948, c. 194, § 2; St.1950, c. 224; St.1954, c. 48; St.1978, c. 83; St.1980, c. 366.

¹ So in enrolled bill.

Historical and Statutory Notes

St.1929, c. 81.

§ 55B. Investment of public funds

All moneys held in the name of a city, town, district or regional school district or any other account under the jurisdiction of a city, town,

CITIES, TOWNS AND DISTRICTS

district, or regional school district or officer thereof, which are not required to be kept liquid for purposes of distribution, shall be invested in such a manner as to require the payment of interest on the money at the highest possible rate reasonably available, taking account of safety liquidity and yield. All officers of a city, town district or regional school district who control the investment of such funds shall invest them prudently, consistent with the provisions of sections fifty-four and fifty-five and, if the funds are the result of gift or grant or bequest, the terms of such gift or grant or bequest, so as to accrue the highest amount of interest reasonably available on such funds taking account of safety, liquidity and yield. The provisions of section sixty-two shall not apply to this section.

Added by St.1985, c. 740, § 2.

§ 56. Towns; fiscal year

The fiscal year of all towns of the commonwealth shall begin with July first and end with the following June thirtieth, and the returns made to the director under section forty-three shall show the financial condition of the town at the close of business on June thirtieth; provided, however, that the treasurer shall, until July fifteenth, enter in his books all items for the payment of bills incurred and salaries and wages earned during the previous fiscal year, excepting payment of school teachers' salaries which have been deferred under the provisions of section forty of chapter seventy-one, and expenditures thereof shall be deemed to be as of June thirtieth preceding.

Amended by St.1969, c. 849, § 62; St.1971, c. 766, § 16; St.1973, c. 52, § 13; St.1991, c. 138, § 228; St.1991, c. 223, § 1.

Historical and Statutory Notes

St.1913, c. 692, § 1.
St.1926, c. 111.

§ 56A. Cities; fiscal year

The fiscal year of all cities of the commonwealth shall begin with July first and end with the following June thirtieth, notwithstanding the provisions of their respective charters, and the returns made to the director under section forty-three shall show the financial condition of the city at the close of business on June thirtieth; provided, however, that the treasurer shall, until July fifteenth, enter in the books all items for the payment of bills incurred and the salaries and wages earned during the previous fiscal year, ex-

CITY OF CAMBRIDGE
Investment Policy

I. Policy

Massachusetts General Laws, Chapter 44, section 55B requires that the Treasurer invest all available public funds at the highest possible rate reasonably available, taking into account safety, liquidity, and yield. It is the policy of the City of Cambridge to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the City's daily cash flow needs and conforming to all applicable state laws. Additionally, the City will invest its funds in a manner that encourages banking institutions to participate in housing and community development programs.

II. Scope

This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

- A. General Fund
- B. Special Revenue Funds
- C. Capital Project Funds
- D. Enterprise Funds
- E. Trust and Agency Funds
- F. Any new fund created unless specifically exempted.

III. Objective

The primary objectives, in priority order, of the City's investment activities shall be:

- 3.1 Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital and compliance with all applicable state laws. In order to minimize risk, the City will consider the following when making an investment: State law, Federal Deposit Insurance Corporation (FDIC) insurance, credit evaluation of the financial institution, and collateral. Investments will be placed only with financial institutions that meet the following criteria:

A. State Law

The total amount of City of Cambridge deposits and investments that a banking institution may hold may not exceed 60% of the bank's capital and surplus holdings unless the excess amount is fully collateralized (Mass. General Laws, Chapter 44, Section 55).

B. FDIC Insurance

The City will only place deposits with institutions that are insured by the FDIC.

C. Credit Evaluation

The City will subscribe to a bank rating service and will use information from this subscription to perform a credit evaluation of financial institutions each quarter. The City currently subscribes to Sheshunoff, which provides a rating for all banks and savings and loans based on information received from the Federal Reserve each quarter. The Sheshunoff Bank Rating is derived from a weighing of the following factors: Capital Adequacy, Asset Quality, Earnings, and Liquidity. Investments will be made with institutions that receive a Sheshunoff rating of C+ or better, or equivalent rating from another rating service (if the City chooses to change subscription services). Deposits with the Massachusetts Municipal Depository Trust (MMDT), an investment pool for political subdivisions of the Commonwealth, are exempt from this criterion.

D. Collateralization

The City will fully collateralize any deposits in excess of \$100,000 that are invested with a financial institution that does not meet the provisions of M.G.L. Chapter 44, Section 55 or Credit Evaluation Criteria, or when the City Treasurer deems that it is in the best interest of the City. In order to provide a level of security for all funds, the collateralization level will be 102% of the market value of principal and accrued interest. Collateral will always be held by an independent third party with whom the city has a current custodial agreement. A safekeeping receipt must be supplied to the City and retained.

- 3.2 Return on Investment:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints, maturity and liquidity.
- 3.3 Liquidity:** The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
- 3.4 Community Reinvestment Act Rating:** The City will invest its funds only with financial institutions that have received a Community Reinvestment Act (CRA) rating of "Satisfactory Record of Meeting Community Credit Needs," or better, in the following five performance categories:

1. Ascertainment of community credit needs.
2. Marketing and types of credit offered and extended.
3. Geographic distribution and record of opening and closing offices.
4. Discrimination and other illegal credit practices.
5. Participation in community development activities.

If no banking institutions meet requirements 3.1 and 3.4, the City Treasurer may first seek alternative investments such as obligations of the United States government, or an Agency thereof, or secondly to modify investment evaluation criteria to reflect current market considerations.

IV. Delegation of Authority

Management responsibility for the investment program is delegated to the Assistant Finance Director who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: credit evaluation, safekeeping, repurchase agreements, wire transfer agreements, collateral/depository agreements, cash flow budgets, and banking service contracts. Such procedures should include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Assistant Finance Director. The Assistant Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to ensure that investment policies and procedures are followed.

V. Authorized and Suitable Investments

The City of Cambridge may invest in instruments allowed under M.G.L. Chapter 41, Section 46 and Chapter 44, Section 55B. These investments include deposits with the MMDT, certificates of deposit, money market accounts, U.S. Treasury securities and repurchase agreements. In addition, City Trust funds may invest in instruments allowed by M.G.L. Chapter 32B, Section 3A; Chapter 40, Section 5B; Chapter 44, Section 54 and Chapter 114, Section 25 (see also M.G.L. Chapter 167F, Section 3 for further allowed trust investments).

VI. Diversification

With respect to money market accounts, certificates of deposits and repurchase agreements, no more than \$20 million or 50% of the City's total funds, whichever is greater, will be invested in a single financial institution. MMDT deposits and investments in U.S. Treasury securities do not, by their nature, require diversification.

VII. Maximum Maturities

Chapter 44, Section 55 of Massachusetts General Laws specifies that all general Fund investments have a maturity of one year or less from date of purchase.

VIII. Internal Control

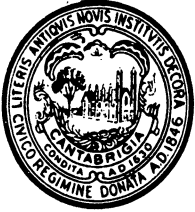
Each year as part of the City's independent annual audit, all investments shall be reviewed for compliance with policies and procedures.

IX. Market Yield (Benchmark)

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The benchmark used by the Treasurer to determine whether market yields are being achieved shall be the U.S. Treasury Bill yield corresponding most closely to the average maturity of the investment portfolio and published in the Wall Street Journal.

X. Reporting

The Finance Department will include a report on investment activity and returns in the City of Cambridge Comprehensive Annual Financial Report (CAFR).



CAMBRIDGE RETIREMENT BOARD

795 MASSACHUSETTS AVENUE, CAMBRIDGE, MASSACHUSETTS 02139

(617) 349-4114

Joseph E. Connarton
Chairman

James A. Lindstrom
Ex-Officio

Sheila M. Tobin
Elected Member

Anne C. Leduc
Executive Director

M E M O R A N D U M

TO: ROBERT W. HEALY, CITY MANAGER

FROM: JOSEPH E. CONNARTON, CHAIRMAN *JEC*

DATE: JULY 27, 1995

SUBJECT: COUNCIL ORDER #10, DATED 1/30/95

IN RESPONSE TO THE COUNCIL ORDER CONCERNING "HOW PUBLIC FUNDS ARE INVESTED", ENCLOSED ARE THE INVESTMENT POLICY STATEMENTS FROM THE CAMBRIDGE RETIREMENT SYSTEMS' INVESTMENT MANAGERS WHICH INCLUDE: SHAWMUT INVESTMENT ADVISORS, THE WELLINGTON MANAGEMENT COMPANY, FREEDOM CAPITAL MANAGEMENT, STATE STREET RESEARCH MANAGEMENT COMPANY, BANK OF IRELAND ASSET MANAGEMENT, PIONEER VENTURES MANAGEMENT LP, CHARLES RIVER VENTURES AND AELTUS. ALONG WITH THESE INVESTMENT MANAGERS THE BOARD UTILIZES A FULL TIME INVESTMENT CONSULTANT, THE SEGAL COMPANY AND A CUSTODIAL BANK, STATE STREET BANK & TRUST.

BE ADVISED THAT THE CAMBRIDGE CONTRIBUTORY RETIREMENT SYSTEM MUST RECEIVE APPROVAL FOR ANY AND ALL INVESTMENT DECISIONS AND MUST ADHERE TO THE DIVISION OF PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION INVESTMENT RESTRICTIONS AS CITED IN 840 CMR 20.00 AND 840 CMR 21.00 AS WELL AS CONFORM WITH REGULATION 840 CMR 4.00. IN THE CASE OF A CHANGE OF INVESTMENT MANAGEMENT, IT IS NECESSARY FOR THE BOARD TO APPLY FOR CONTINUED EXEMPTION UNDER M.G.L. C. 32, S. 23(2)(B)(I-VII), INCLUSIVE, ON FORM 19-1 IN ACCORDANCE WITH THE DIVISION OF PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION REGULATION 840 CMR 19.06.

THE RATE OF RETURN AND PERFORMANCE OF THE CAMBRIDGE RETIREMENT SYSTEM HAS STEADILY IMPROVED OVER THE PAST TEN YEARS. PRIOR TO THE LEGISLATURE ESTABLISHING THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION (PERA) IN 1983, THE SOLE STATUTORY GUIDE FOR ALL 107 SYSTEMS WERE EXTREMELY LIMITED IN THEIR ABILITY TO INVEST IN A DIVERSIFIED WAY. CONSEQUENTLY, RATES OF RETURN WERE CONSTRICTED BY THOSE STATUTORY REFERENCES.

GIVEN THE ADVENT OF PERA, THE CAMBRIDGE RETIREMENT SYSTEM AGGRESSIVELY SOUGHT TO DIVERSIFY THE PORTFOLIO AND HIRED A PROFESSIONAL FINANCIAL ADVISOR, KIDDER PEABODY AND NINE PROFESSIONAL MONEY MANAGERS. SINCE THIS EFFORT BEGAN IN 1990, THE SYSTEM HAS EXPERIENCED TREMENDOUS GROWTH, GOING FROM AS ASSET BASE OF \$58,625,150 TO \$189,009,500 IN 1994. FURTHERMORE, THE SYSTEM HAS BEEN RANKED IN THE TOP QUARTILE OF ALL ACTIVELY MANAGED PUBLIC PENSION PORTFOLIOS.

DURING THE PAST TEN YEAR PERIOD, THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION HAS RANKED CAMBRIDGE IN THE UPPER HALF OF ALL 107 SYSTEMS WITH AN AVERAGE RETURN OF 11.12%. DURING THE YEAR 1993, THE CAMBRIDGE RETIREMENT SYSTEM WAS RANKED 27TH OUT OF 107 SYSTEMS, WITH A RETURN OF 13.33% AND IN TERMS OF ASSET GROWTH IT WAS RANKED 6TH.

CAMBRIDGE RETIREMENT - PAST 10 YEARS INVESTMENTS

	EQUITY	FIXED	INT'L	TOTAL INVESTED
YEAR 1994	88,018,713.27 53.44%	56,029,216.56 34.02%	20,671,105.82 12.55%	164,719,035.65 100.00%
YEAR 1993	85,014,079.54 51.93%	56,259,833.91 34.37%	22,437,017.75 13.71%	163,710,931.20 100.00%
YEAR 1992	60,647,169.19 47.05%	53,826,859.67 41.76%	14,417,992.73 11.19%	128,892,021.59 100.00%
YEAR 1991	74,133,612.29 65.12%	26,857,470.45 23.59%	12,850,067.14 11.29%	113,841,149.88 100.00%
YEAR 1990	58,859,067.95 63.99%	23,300,404.42 25.33%	9,821,337.65 10.68%	91,980,810.02 100.00%
YEAR 1989	47,937,318.86 58.22%	34,397,460.26 41.78%		82,334,779.12 100.00%
YEAR 1988	49,471,923.24 58.97%	34,423,387.97 41.03%		83,895,311.21 100.00%
YEAR 1987	41,067,761.10 50.42%	40,378,001.74 49.58%		81,445,762.84 100.00%
YEAR 1986	27,104,511.22 33.44%	53,950,076.08 66.56%		81,054,587.30 100.00%
YEAR 1985	20,399,194.50 28.17%	52,016,115.62 71.83%		72,415,310.12 100.00%
YEAR 1984	11,844,038.75 22.17%	41,588,219.73 77.83%		53,432,258.48 100.00%



CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139 . TEL. 349 - 4240

James A. Lindstrom

City Auditor

TO: Robert W. Healy
City Manager

FROM: James A. Lindstrom
City Auditor

RE: Investment of Public Funds
City Council Order 10
January 30, 1995

DATE: February 27, 1995

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In response to the Council's request for information regarding "how prudently the city's public funds have been invested", attached please find a summary of the cash and investments for the City at the close of each of the past two fiscal years and for the end of December 1994. Also attached is a listing of the securities owned by the City on each of these dates. This report does not cover the Retirement System, which is being reported by the Retirement Board separately.

As can be seen, the funds under the control of the City are substantial, totalling \$116 million by the end of December. These funds include the City's General Fund, Stabilization Fund, any Special Revenues received by the City whose use is restricted such as the Parking Fund, the City's Enterprise Funds (Water/Hospital) and all Trust Funds, including the Health Claims Trust Fund. Over the eighteen months covered by this report, the City's cash/investment assets increased \$20.9 million (22%).

The composition of the City's holdings changed significantly over this period. At the end of fiscal 1993, 90% of the City's funds were held either in various bank accounts or in the Massachusetts Municipal Depository Trust, a money market fund organized by the State Treasurer. By the end of December 1994, that proportion had dropped to 40% (with bank accounts alone dropping to 1%); 60% was invested in U.S. Treasury bills and notes maturing between March 1995 and October 1998. Of the almost \$70 million invested in U.S. Treasuries, \$40 million was for the Hospital.

Over this period, the City has held its investments to maturity.



CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300

FAX 349-4307

EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

March 20, 1995

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 24, regarding a report on how public funds are invested, received from Assistant City Manager for Fiscal Affairs James Maloney, Chairman of the Retirement Board Joseph E. Connarton and City Auditor James A. Lindstrom.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

Consent Agenda #7

S-95

Response to Awaiting Report Item Number
Twenty-four regarding a report on how public funds
are invested.

Report received 3/20/95
See 1995 City manager
Requests # 28.

In City Council,

March 20, 1995

Placed on file

Order adopted

9-0-0