

**11. CITY MANAGER**

a. Informational Items

i. Investments Reports

1. June 30, 2010 Summary of City Investments from Burgess Chambers & Associates, Inc.

**CITY OF SANIBEL TREASURY**  
**INVESTMENT PERFORMANCE**  
**PERIOD ENDING**  
**JUNE 30, 2010**

NOTE: For a free copy of Part II (mailed w/ 5 bus. days from request receipt) of Burgess Chambers and Associates, Inc.'s most recent Form ADV which details pertinent business procedures, please contact:  
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## City of Sanibel Treasury

### BCA Market Perspective © July 2010

#### **“Fear” Is Back** **Burgess B. Chambers and Larry M. Cole**

In the April 2010 BCA Market Perspective, it was noted that:

“Another factor that has become evident is the investor’s appetite for risk has returned. This is supported by the one-year bounce of equity markets since the market lows on March 9, 2009. Large cap stocks, as measured by the Russell 1000 Index, are up 72.9%, the Russell Midcap Index is up 94.2% and the Russell 2000 (Small Cap) Index is up 92.1%. In addition, we recently saw the Dow Jones Industrial Average hit the 11,000 level for the first time since September, 2008.”

What a difference a quarter makes.

As Greece’s debt rating was lowered to junk status in April, many investors saw this as the beginning of a larger problem in Europe, most notably Spain, Portugal, Italy and Ireland – spreading fear and uncertainty and the collapse of the Euro currency. The result was a widespread decline of all major equity markets. With belt tightening and tax increases on the agenda in Europe and a confirmed economic slowdown in China, the fear of a “double-dip” recession returned.

In addition, the Gulf oil spill had investors fearing that more regulations in both the energy and financial industries will deter growth in those sectors and increase unemployment. This came at a time when unemployment remains stubbornly high and new home sales dropped as a result of the expiration of the home buyer credit. Projected higher foreclosure rates and higher tax rates in 2011 have investors fearful that the consumer will have even less to spend, contributing to even slower growth.

The Fed’s recent actions in maintaining a near zero interest rate policy indicates a growing fear of deflation more than inflation, as the economic news points to a slow and prolonged recovery.

Diversification continues to be critical in managing the volatility and uncertainty caused by the return of fear. While equity markets were down significantly, bonds had an excellent quarter. Periods of investor fear have historically created excellent buying opportunities for those willing to look beyond the current confusion. BCA continues to focus on additional diversification opportunities in light of the current environment.



**City of Sanibel Treasury  
Total Fund  
Compliance Checklist  
June 30, 2010**

	<b>YES</b>	<b>NO</b>
All investments of the fund are authorized within the Investment Policy Statement dated	✓	
Prime commercial paper of a US corporation, finance company or banking institution is rated at least P-1 by Moody's or at least A-1 by S&P and is stated to mature in not more than 270 days.	✓	
Bonds or other debt securities issued or guaranteed by a corporation organized under the laws of the US or the District of Columbia have an investment grade rating of A or better by S&P or Moody's.	✓	
<b>Operating Account:</b>		
Investments are limited to demand deposits, mm funds and other short term securities of the highest quality.	✓	
<b>Reserves Account:</b>		
Investments are limited to securities with maturities not exceeding 24 months.	✓	
The average maturity does not exceed one year.	✓	
No more than 10% is invested in corporate bonds with a minimum rating of A by S&P	✓	
No more than 2% is invested with any one issuer.	✓	



**City of Sanibel Treasury  
Total Fund  
Compliance Checklist (continued)  
June 30, 2010**

**Surplus Account:**

Investments maximum maturities do not exceeding 5 years.

The average maturity does not exceed 3 years.

No more than 15% is invested in corporate bonds with a minimum rating of A by S&P.

No more than 2% is invested with any one user.

**Restricted Account:**

No more than 15% is invested in corporate bonds with a minimum rating of A by S&P or Moody's.

No more than 2% is invested with any one user.

**YES    NO**

✓

✓

✓

✓

✓

✓



**City of Sanibel Treasury**  
**Total Fund**  
**June 30, 2010**  
**Gross of Fees**

Name	Market Values	Inception 6/9/10 ROR
<b>TOTAL FUND</b>		
<u>Fixed Income</u>		
Operating Account	6,253,422	0.1%
Reserve Account	7,480,089	0.1%
Surplus Account	5,015,859	0.3%
Restricted Account	1,846,639	3.5%
<b>Total Fixed Income</b>	<b>20,596,009</b>	<b>0.4%</b>
<b>TOTAL:</b>	<b>20,596,009</b>	<b>0.4%</b>



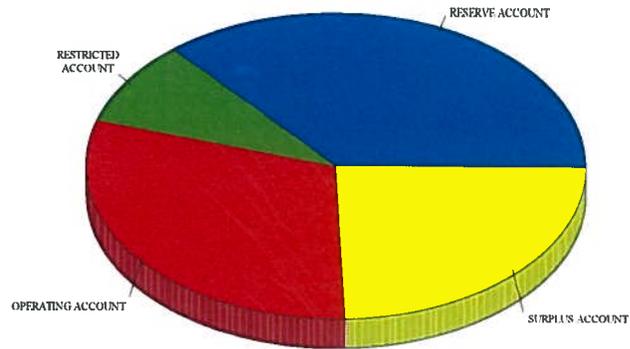
**City of Sanibel Treasury  
Total Fund  
Asset Information  
June 30, 2010**

Portfolio	Market Value	Yield to Maturity on Amortized Cost	Projected Annual Income
		<b>(Gross of Fees)</b>	
Operating (0-1 Yr)	6,253,309.16	0.70%	43,605.00
Reserves (0-2 Yr)	7,483,530.18	0.60%	44,701.00
Surplus (3-5 Yr)	5,019,199.82	0.90%	44,842.00
Restricted (10-15 Yr)	1,846,127.98	4.10%	72,504.00
<b>Total</b>	<b>20,602,167.14</b>	<b>1.00%</b>	<b>204,304.00</b>
<b>Less Projected Investment Mgmt Fees @ 0.175%</b>			<b>(36,054.00)</b>
<b>Projected Net Relationship Annual Income</b>			<b>168,250.00</b>



**City of Sanibel Treasury  
Total Fund  
Asset Allocation**

TOTAL MARKET VALUE  
AS OF JUNE 30, 2010  
\$ 20,596,009



	VALUE	PERCENT
RESERVE ACCOUNT	7,480,089	36.32
OPERATING ACCOUNT	6,253,422	30.36
SURPLUS ACCOUNT	5,015,859	24.35
RESTRICTED ACCOUNT	1,846,639	8.97



## INVESTMENT PLAN FOR THE CITY OF SANIBEL FUNDS

Our purpose is to invest the City of Sanibel's funds as per their direction given to us in the City of Sanibel Statement of Investment Policy with our primary directive being safety of principal/liquidity and a secondary directive of improving the yield of the overall portfolio. Specific assets will be subject to market conditions and availability. The investment plan is subject to change (within investment policy guidelines) over time as market conditions change.

Initially, funds will be placed in AAA rated money market funds as the investment plan is executed. Some funds will remain in money market funds for daily access and dependent on market conditions.

**Operating Account:** The main objectives for the Operating account are safety of principal and immediate liquidity. These funds are designated for immediate City expenses. Therefore, the investments in the Operating Account will be limited to demand deposits, money markets funds and other short term securities of the highest liquidity.

Performance Benchmark: Merrill Lynch 0-3 month Treasury Bill

Assets to be purchased:

Money Market Funds – FDIC Insured Money Market Fund

Government Securities – Government Securities  
FDIC Securities  
Government Agency Securities  
Taxable Investment Grade Municipal Securities

Corporate Securities - Short term debt securities issued or guaranteed by corporations organized under the laws of the United States with underlying commercial paper ratings of "P-1" by Moody's or "A-1" by S&P.

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## INVESTMENT PLAN FOR THE CITY OF SANIBEL FUNDS

**Reserves Account:** The main objectives for the Reserves Account are safety of principal and liquidity. These funds are designated for emergency purposes, such as natural disasters. The liquidity needs of the Reserves Account are more unpredictable and, as such, investments will be limited to securities with maturities not to exceed 24 months. However the average maturity shall not exceed one (1) year. It is anticipated that the Reserves Account will have a laddered maturity structure allowing for significant liquidity each quarter. Up to ten (10) percent of the Reserves Account may be invested in corporate bonds with a minimum rating of "A" by Standard & Poor's or Moody's. In addition, no more than two (2) percent of the Reserves Account will be invested with any one issuer.

Benchmark - Merrill Lynch US 0-1 year Treasury Index

Assets to be purchased:

Money Market Funds – Federated Prime Obligations Fund  
(Institutional Shares), (AAA Rated)

Government Securities: (See Above)

Corporate Securities: Bonds or other debt securities issued or guaranteed by a corporation organized under the laws of the United States provided the corporation has an investment grade rating of "A" or better by Standard and Poor's or Moody's.

**Surplus Account:** The main objectives for the Surplus Account are safety of principal and achieving higher yields than are typically available in money market instruments. These funds are not designated for any specific purpose and are intended to meet as yet undetermined need of the City. As such, these funds need not be available for immediate demand and can take advantage of higher yields available with intermediate term maturities. The Surplus Account can invest in securities with a maximum maturity of five (5) years. However, the overall Surplus Account will have an average maturity not to exceed three (3) years. Up to fifteen (15) percent of the Surplus Account may be invested in corporate bonds with a minimum rating of "A" by Standard & Poor's or Moody's. In addition, no more than two (2) percent of the Surplus Account will be invested with any one issuer.

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## INVESTMENT PLAN FOR THE CITY OF SANIBEL FUNDS

Benchmark: Merrill Lynch US 3-5 Year Treasury Index

Assets to be purchased:

Money Market Fund: Federated Prime Obligations Fund

Government Securities: (See Above)

Corporate Securities: (See Above)

**Restricted Account:** The main objective of the Restricted Account is safety of principal and higher yields typically available in intermediate to longer-term securities. These funds are designated for known longer-term obligations related to debt payments of the City. The liquidity needs of the Restricted Account are more clearly defined and allow for the portfolio to take advantage of higher yields by being able to closely match projected cash flow needs to the maturity structure of the portfolio. Up to fifteen (15%) percent of the Restricted Account may be invested in corporate bonds with minimum rating of "A" by Standard & Poor's or Moody's. In addition, no more than two (2) percent of the Restricted Account will be invested with any one issuer.

Benchmark: Merrill Lynch US 10-15 Year Treasury Index

Assets to be purchased:

Money Market Fund: Federated Prime Obligations Fund

Government Securities: (See Above)

Corporate Securities: (See Above)

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## City of Sanibel Treasury Glossary of Terms

- ACCRUED INTEREST- Bond interest earned since the last interest payment, but not yet received.
- ALPHA- A linear regressive constant that measures the manager's expected return independent of Beta.
- ASSET ALLOCATION- The optimal division of portfolio asset classes in order to achieve an expected investment objective.
- BETA- A measure of portfolio sensitivity (volatility) in relation to the market, based upon past experience.
- BOND DURATION- A measure of portfolio sensitivity to interest rate risk.
- COMMINGLED FUND- An investment fund, offered by a bank or insurance company, which is similar to a mutual fund in that investors are permitted to purchase and redeem units that represent ownership in a pool of securities.
- CORE- A type of investment strategy that has approximately an equal weighting in both growth and value stocks in order to achieve a return that is comparable to the broad market performance (i.e., the S&P 500).
- CORRELATION COEFFICIENT- A statistical measure of how two assets move together. The measure is bounded by +1 and -1; +1 means that the two assets move together positively, while a measure of -1 means that the assets are perfectly negatively correlated.
- INDEXES- Indexes are used as "independent representations of markets" (e.g., S&P 500 and LBGC).
- INFORMATION RATIO- Annualized excess return above the benchmark relative to the annualized tracking error.
- GROWTH MANAGER- A growth manager generally invests in companies that have either experienced above-average growth rates and/or are expected to experience above-average growth rates in the future. Growth portfolios tend to have high price/earnings ratios and generally pay little to no dividends.
- LARGE CAP- Generally, the term refers to a company that has a market capitalization that exceeds \$5 billion.
- MANAGER UNIVERSE- A collection of quarterly investment returns from various investment management firms that may be subdivided by style (e.g. growth, value, core).
- MID CAP- Generally, the term refers to a company that has a market capitalization between \$1 and \$5 billion.



## **City of Sanibel Treasury Glossary of Terms**

**-PSN BALANCED AGGRESSIVE UNIVERSE** - Includes all domestic balanced products whose equity allocation objective is greater than or equal to 65%.

**-PSN BALANCED MODERATE UNIVERSE** - Includes all domestic balanced products whose equity allocation objective is between 55% and 64%.

**-PSN BALANCED CONSERVATIVE UNIVERSE** - Includes all domestic balanced products whose equity allocation objective is equal or less than 54%.

**-RATE OF RETURN**- The percentage change in the value of an investment in a portfolio over a specified time period.

**-RISK MEASURES**- Measures of the investment risk level, including beta, credit, duration, standard deviation, and others that are based on current and historical data.

**-R-SQUARED**- Measures how closely portfolio returns and those of the market are correlated, or how much variation in the portfolio returns may be explained by the market. An R2 of 40 means that 40% of the variation in a fund's price changes could be attributed to changes in the market index over the time period.

**-SHARPE RATIO**- The ratio of the rate of return earned above the risk-free rate to the standard deviation of the portfolio. It measures the number of units of return per unit of risk.

**-STANDARD DEVIATION**- Measure of the variability (dispersion) of historical returns around the mean. It measures how much exposure to volatility was experienced by the implementation of an investment strategy.

**-SYSTEMATIC RISK**- Measured by beta, it is the risk that cannot be diversified away (market risk).

**- TIME WEIGHTED RETURN**-A measure of the investments verses the investor. When there are no contributions or withdrawals the TIME-weighted and DOLLAR-weighted/internal return are the same. If there are contributions and withdrawals the TIME-weighted and DOLLAR-weighted/internal return can be different. The CFA Institute recommends using the TIME-weighted return. AIMR reasons that the investment manager can not control when an investor makes contributions and withdrawals and thus should not be measured by that.

**-TRACKING ERROR**- A measure of how closely a manager's performance tracks an index; it is the annualized standard deviation of the differences between the quarterly returns for the manager and the benchmark.



## **City of Sanibel Treasury Glossary of Terms**

Advisory services are offered through or by Burgess Chambers and Associates, Inc., a registered SEC investment advisor.

### **Performance Reporting:**

- 1.Changes in portfolio valuations due to capital gains or losses, dividends, interest or other income are included in the calculation of returns. All calculations are made in accordance with generally accepted industry standards.
- 2.Transaction costs, such as commissions, are included in the purchase cost or deducted from the proceeds or sale of a security. Differences in transaction costs may affect comparisons.
- 3.Individual client returns may vary due to a variety of factors, including differences in investment objectives and timing of investment decisions.
- 4.BCA does not have discretion or decision making authority over any investments. All decisions regarding investment manager selection and retention, asset allocation, and other investment policies were made by the client. While BCA provides recommendations and choices regarding suitable investments, not all clients take these recommendations or select from the choices offered.
- 5.Portfolio returns are generally shown before the deduction of investment advisory fees.
- 6.Performance reports are generated from information supplied by the client, custodian, and/or investment managers. BCA relies upon the accuracy of this data when preparing reports.
- 7.The market indexes do not include transaction costs, and an investment in a product similar to the index would have lower performance dependent upon costs, fees, dividend reinvestments, and timing. Benchmarks and indexes are for comparison purposes only, and there is no assurance or guarantee that such performance will be achieved.
- 8.Performance information prepared by third party sources may differ from that shown by BCA. These differences may be due to different methods of analysis, different time periods being evaluated, different pricing sources for securities, treatment of accrued income, treatment of cash, and different accounting procedures.
- 9.Certain valuations, such as alternative assets, ETF, and mutual funds, are prepared based on information from third party sources, the accuracy of such information cannot be guaranteed by BCA. Such data may include estimates and maybe be subject to revision.
- 10.BCA has not reviewed the risks of individual security holdings.

The firm's ADV, Part II, is available upon request.

