



Agenda Item: 8

Date: January 11, 2010

Subject: Financial Markets Update

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Summary of District's Debt Portfolio:

Debt	Original Par	Outstanding	Issue	Credit Enhancement	Final Maturity
2009A	\$42,000,000	\$42,000,000	Adjustable Rate Revenue COP's	Sumitomo Bank*	11/1/2034
2009B	\$36,155,000	\$35,295,000	Fixed Rate Taxable Revenue Cert		11/1/2028
2008A-2	\$37,535,000	\$35,860,000	Adjustable Rate Refunding COPs	Allied Irish**	11/1/2028
2005B	\$ 7,850,000	\$ 1,645,000	Fixed Rate Taxable Revenue Cert		11/1/2011

*Credit enhancement expires 6/30/2012

**Credit enhancement expires 5/13/2011

Current Status of District's Variable-Rate Debt Portfolio:

Debt	Outstanding	Credit Enhancement	Bank Owned	Sold in Market	Market Rate
2009A	\$42,000,000	Sumitomo Bank LOC	None	\$42,000,000	0.14%
2008A-2	\$35,860,000	Allied Irish LOC	None	\$35,860,000	0.15%

Current Status of District's Investment Portfolio:

Outstanding (Fair Market Value)	Security Type	Rate
\$ 6,868,045	LAIF	0.61%
\$ 4,649,256	Corporate Notes	4.14%
\$ 3,091,288	Corporate Notes/FDIC Insured	2.45%
\$23,680,552	Agency Securities Bonds/Notes	2.29%
<u>\$10,928,866</u>	Treasury Bonds/Notes	<u>2.05%</u>
\$49,218,007		2.19%

Status of Municipal Debt Markets:

Short-term Municipal paper continues to trade at historic lows. Low returns are causing money market investors to look to other investment vehicles in order to increase yield. Therefore, rates on the District's variable-rate debt may begin to increase.

Rates on Letters of Credit remain at record highs, which if the trend continues will affect the District when the Allied Irish Letter of Credit on the 2008A-2 variable-rate debt comes up for renewal in May 2011.

Status of Investment Markets:

The interest rate environment has changed over the past quarter. The most significant change has been a steepening of the yield curve. Longer term yields (5 year) have increased by 38 basis points while short term yields have increased by just 3 basis points. The two to three year sector now offers the best value as yields have increased in these ranges. Purchases past three years will not be pursued as it is expected that longer term rates could continue to move higher. The target duration for the portfolio is being moved from 18 months to near 2 years. The plan to achieve this added duration is by purchasing maturities in the three year sector.

The District is also planning to invest more funds in the Treasuries and Federal Agencies sectors. The difference in yield between Federal Agencies and Treasuries is narrow, so preference is being given to the liquidity that Treasuries and Federal Agencies offer. In some cases Treasuries are actually yielding the same as Federal Agency securities.

The credit markets have shown remarkable improvement over the past quarter. There are no plans to buy Corporate Notes that are not FDIC insured.