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OFFICE OF THE  
CITY TREASURER  
  
THOMAS P. FRIERY  
TREASURER

CITY OF SACRAMENTO  
CALIFORNIA

October 1, 1992

926 J STREET  
SUITE 300  
SACRAMENTO, CA  
95814-2709  
  
PH 916-264-5168  
FAX 916-448-3139

CITY COUNCIL  
SACRAMENTO, CALIFORNIA

HONORABLE MEMBERS IN SESSION

SUBJECT: ANN LAND/BERTHA HENSCHEL ANNUAL REPORT

LOCATION AND COUNCIL DISTRICT

City.

**FILED**  
OCT 20 1992  
BY THE CITY COUNCIL  
OFFICE OF THE CITY CLERK

SUMMARY

This transmits the annual investment report for the Ann Land/Bertha Henschel Memorial Funds to the City Council for informational purposes.

RECOMMENDATION

For Council information.

BACKGROUND INFORMATION

On an annual basis the City Treasurer prepares and transmits reports to the City Council and other interested parties regarding the investment activity and results of the Ann Land/Bertha Henschel Memorial Trust Funds.

FINANCIAL CONSIDERATIONS

This report provides a summary of the annual investment results, an economic commentary, highlights of the investment activity, and a combined overall cash flow summary.

OFFICE OF THE CHIEF OF POLICE  
CITY OF BOSTON  
OCT 30 1965  
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Ann Land/Bertha Henschel Annual Report  
October 1, 1992  
Page 2

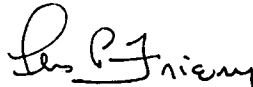
POLICY CONSIDERATIONS

Not applicable.

MBE/WBE

Not applicable.

Respectfully submitted,



Thomas P. Frier  
City Treasurer

APPROVED FOR CITY COUNCIL INFORMATION:



Walter J. Slupe  
City Manager

CONTACT PERSON:

Michael L. Medema  
Assistant Treasurer  
(916) 264-5168

For Council Meeting of October 20, 1992

Exhibits available for review at the City Clerk's Office:

1. Ann Land/Bertha Henschel Annual Report for the Fiscal Year ending June 30, 1992.



OFFICE OF THE  
CITY TREASURER

THOMAS P. FRIERY  
TREASURER

CITY OF SACRAMENTO  
CALIFORNIA

ANN LAND - BERTHA HENSCHEL  
MEMORIAL FUND COMMISSION

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ANNUAL REPORT AND INVESTMENT ACTIVITY

FOR THE FISCAL YEAR ENDING  
June 30, 1992

Respectfully submitted,

THOMAS P. FRIERY  
City Treasurer

Contact Person:

Deborah Kanner  
Investment Officer II  
264-5168



OFFICE OF THE  
CITY TREASURER

THOMAS P. FRIERY  
TREASURER

CITY OF SACRAMENTO  
CALIFORNIA

September 30, 1992  
IO0243TF.NWM

926 J STREET  
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FAX 916-448-3139

TO: Ann Land/Bertha Henschel Memorial Fund Commission  
FROM: Thomas P. Friery, City Treasurer  
SUBJECT: Ann Land/Bertha Henschel Annual Report for the Fiscal  
Year Ended June 30, 1992

SUMMARY

For the fiscal year ended June 30, 1992, a total of \$137,131 was received from interest income, dividends, and capital gains on the sale of securities of Commission assets (see Attachment D). The income was equivalent to a cash rate of return for the fiscal year of 9.83% on the average book value of commission assets. Further, on a total return basis (income received plus realized and unrealized gains and losses), a rate of return for the fiscal year of 9.94% was earned on Commission assets.

Since inception through fiscal year-end, the Ann Land and Bertha Henschel Memorial Funds have earned \$3.4 million in investment income earnings resulting from capital gains, interest, and dividend income. However, included in the total investment earnings is \$831,564 representing capital gains from the sales of securities. Pursuant to the terms of the trusts this is considered an addition to principal rather than income available to be distributed. Of the amount of investment income earned since inception, more than \$2.5 million (or 98% of available monies) have been paid to the indigent and needy citizens of Sacramento in compliance with the Commission's policies.

It is brought to the Commission's attention that the book value of the combined Memorial Fund assets as of June 30, 1992 is \$1,433,431, which is \$883,711 greater than the original Ann Land and Bertha Henschel bequests. Below is a breakdown of Commission assets:

	<u>Book Value</u>	<u>Market Value</u>
AL/BH Memorial Funds	\$1,381,686	\$1,503,727
AL/BH Indigent Funds	51,745	51,745
	<u>\$1,433,431</u>	<u>\$1,555,472</u>
	=====	=====

## BACKGROUND

### Fiscal Year

During the fiscal year ending June 30, 1992, interest income and dividends received on investments were \$94,005. Net capital gains of \$43,126 were recorded on the sale of securities. The total investment revenue received on the combined funds was \$137,131 (see Attachment D).

### Inception

From inception through June 30, 1992, \$3,434,023 in income, gains, and losses was earned by the Ann Land/Bertha Henschel Memorial Funds on the original bequests of \$549,720. Of this amount, \$831,564 is attributable to capital gains. These capital gains are treated as increases or decreases to principal and are not considered as income for distribution purposes. Since inception \$2,602,459 was available for distribution to assist the indigent. \$2,564,509 has been distributed to the needy citizens per the policies set by the Ann Land/Bertha Henschel Commission (see Attachment D).

## ECONOMIC COMMENTARY

The economy seems to be acting like a patient who keeps taking medicine to cure a bout of the flu. A teaspoon of medicine is taken according to the prescription. And yet, the flu drags on and on. So the patient begins to take a larger dose. At times he feels better. But soon thereafter, the symptoms return. In the case of the economy, the Federal Reserve Board (Fed) has been administering the medicine in the form of interest rate reductions, but so far the patient has yet to fully recover. As a result, consumers continue to exhibit unusual wariness in spending behavior.

In July of 1991, the discount rate, at which the U.S. Government loans money to banks, was 5% while the federal funds rate was 5.50%. On June 30, 1992, the discount rate was 3% while the federal funds rate was 3.25%. These represent the lowest rates in almost two decades. Inflation, as measured by the Consumer Price Index, continues to show an unusually downward bias. Over the year ending June 30, 1992, the CPI averaged less than a 3.5% increase. The portions of the index that typically show an upward bias such as energy and wages have remained stable. This is one reason that the Fed can maintain such an accommodative posture.

As usual, the stock market loves easy money. When the Fed drops interest rates, the stock market shows signs of upward momentum at

least on a near-term basis. This fiscal year was no exception. As rates dropped in December and again in April, the stock market reacted accordingly by closing above 3400 for the first time in history. Shortly thereafter, the market lost 100 points to close under 3300 at the end of the fiscal year reflecting continued volatility in the current economic cycle.

So why is it that the economy has not been able to get on its feet? One reason is the significant downshift in employment. Some economists have proclaimed that we are only now paying for the excesses of the 1980's; in other words, the patient was too fat and drastic diet has ensued. "Down-sizing" has become the new cliché. Large and small corporations alike have been forced to permanently eliminate positions. Indeed a major difference between past recessions and the present one is that many of these positions will not resurface when the recovery takes hold. Among the hardest hit has been white collar workers, usually exempt from economic downturns. At the beginning of the fiscal year, the rate of unemployment was about 7%; the June '92 rate stands at 7.8% and every day brings new announcements of layoffs.

This is a significant reason for the apprehension and decreasing confidence of the consumer. As a result, the uneven starts and stops have caused a similar response in sectors that typically support any recovery. For example new home sales, which peaked at a rate of 667,000 in January 1992, have been in a lull with sales in June 1992 falling to 572,000.

Internationally, the dollar has taken a beating overseas largely in response to rising Bundesbank interest rates. Ordinarily, a weak dollar would increase U.S. exports, but since our major trading partners are experiencing their own economic downturns, the weak dollar has not made a significant contribution. In Tokyo, the stock market has lost over half its value. Along with falling U.S. real estate prices, the decrease in the financial markets have caused Japanese investors to seriously retrench.

In California, the troubles seem much worse, and not just because it's closer to home. Presently, one in ten workers are unemployed. Among the hardest hit has been areas concentrated in the defense industry such as Los Angeles and Orange County. Coupled with a depressed real estate market and a variety of calamities and natural disasters, California is facing a dire forecast in terms of decreasing revenues and increasing disbursements. At the end of the fiscal year, the lawmakers in Sacramento had yet to approve a budget for the next fiscal year. This only makes municipal governments that much more uncertain about their own tenuous budgets. And with the Presidential elections drawing closer, there is increased uncertainty regarding the patient's prescription.

**BERTHA HENSCHEL MEMORIAL FUND**

During the fiscal year ended June 30, 1992, the Bertha Henschel Memorial Fund sold 15 issues of equity assets with a combined book value of \$211,959 for \$240,016. These proceeds were subsequently reinvested in 16 issues totalling \$238,684, with the remainder in cash (see Attachments A & B).

Since inception, investment income earned by the Bertha Henschel Memorial Fund was \$2.4 million. Of this, \$1.7 million has been spent to help the indigent and needy citizens of Sacramento. This leaves \$.8 million in the fund over and above the original bequeath of \$278,000.

**ANN LAND MEMORIAL FUND**

During the fiscal year ended June 30, 1992, the Ann Land Memorial Fund sold 14 issues of equity assets with a combined book value of \$67,393 for \$82,461. These proceeds were subsequently reinvested in 17 issues totalling \$71,727, with the remainder in cash (see Attachments A & B).

Since inception, investment income earned by the Ann Land Memorial Fund was \$971,326. Of this, \$888,568 has been spent to help the indigent and needy citizens of Sacramento. This leaves \$86,215 in the fund over and above the original bequeath of \$271,720.

**FINANCIAL**

All interest earned on the Memorial Trust funds (excluding capital gains) is transferred to the Indigent funds for disbursement by the Commission. Over the past several years, the Commission has been spending approximately \$100,000 annually from the Indigent funds to assist the poor, indigent, and needy citizens of the City of Sacramento. The desired level of expenditure from the Indigent funds are determined annually. At the City Treasurer's recommendation, expenditures have been allocated as follows: 75% from the Bertha Henschel Indigent fund; and 25% from the Ann Land Indigent fund.

As of June 30, 1992, the annualized income from Commission assets was approximately \$90,000. In addition, the combined Indigent fund balance of approximately \$52,000 is available for expenditure by the Commission. (Bertha Henschel Indigent Fund \$41,000 and AnnLand Indigent Fund \$11,000).

Based on the current income generated by the Memorial funds, the Commission could maintain the annual spending rate of approximately



\$100,000 annually for the next five years. Over this time period, the assets in the Memorial funds should experience dividend growth and have capital gains reinvestment, resulting in a growth of the Memorial fund income to at least \$100,000 annually.

If the Commission chose to increase the level of spending to \$105,000 annually, it would be possible to continue at this level for the next 3.5 years even though the current level of Memorial Fund income is only about \$90,000 annually. The asset allocation could be adjusted if necessary to accommodate this higher spending level.

RECOMMENDATION

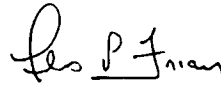
Based upon the current income patterns and the combined Indigent fund balances, we recommend that the Commission for calendar year 1993:

- Declare the desired level of expenditure from Indigent fund balances at a level not in excess of \$105,000 and,
- Pro rate expenditures to be made from Indigent fund balances as follows:

Ann Land Indigent Fund	20%
Bertha Henschel Indigent Fund	80%

This recommendation requires Commission action.

Respectfully submitted,



THOMAS P. FRIERY  
City Treasurer

Attachments

cc: Mayor & City Council Members  
Walter J. Slipe, City Manager  
Betty Masuoka, Director of Finance

Contact Person:  
Deborah Kanner  
Investment Officer II  
264-5168

## ATTACHMENT A

INDIGENT AND MEMORIAL TRUST FUNDS  
ANNUAL REPORT  
FISCAL YEAR ENDED JUNE 30, 1992

COMBINED SUMMARY OF SALES ACTIVITY

## ANN LAND MEMORIAL FUND

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COMPANY	SHS OR P.V. SOLD	PROCEEDS	COST	GAIN <LOSS>	ANNUALIZE INCOME
1ST QTR					
PFIZER INC.	150	9,569.54	6,150.07	3,419.47	198.00
SYNTEX CORP	100	4,216.74	2,589.99	1,626.75	92.00
2ND QTR					
ENVIRONMENTAL	200	3,166.94	2,928.60	238.34	0.00
SYNTEX CORP	100	4,117.84	2,589.98	1,527.86	92.00
WHEELABRATOR	200	5,833.62	3,561.26	2,272.36	0.00
3RD QTR					
ABBOTT LABS	200	12,712.21	8,375.20	4,337.01	240.00
GTE CORP	150	4,427.48	5,136.82	(709.34)	258.00
JOHNS & JOHNS	100	10,378.55	9,308.60	1,069.95	160.00
U S WEST	150	5,220.69	2,406.84	2,813.85	312.00
WELLS FARGO	50	3,370.96	4,171.60	(800.64)	100.00
4TH QTR					
ARCHER-DANIEL	200	4,625.86	5,076.70	(450.84)	20.00
DISNEY	50	7,416.15	6,096.10	1,320.05	10.50
HUMANA	200	3,994.55	5,591.10	(1,596.55)	180.00
SPNB	100	3,410.14	3,410.14	0.00	272.00

TOTAL A. L. SALES 82,461.27 67,393.00 15,068.27 1,934.50

COMBINED SALES PROCEEDS COST GAIN INCOME  
322,477.28 279,351.60 43,125.68 7,513.50

## BERTHA HENSCHEL MEMORIAL FUND

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COMPANY	SHS OR P.V. SOLD	PROCEEDS	COST	GAIN <LOSS>	ANNUALIZED INCOME
1ST QTR					
BAXTER INT'L	500	16,518.59	12,881.32	3,637.27	370.00
PFIZER INC.	300	19,365.88	17,099.17	2,266.71	396.00
SYNTEX CORP	500	21,159.49	12,040.10	9,119.39	460.00
2ND QTR					
ENVIRONMENTAL	1,000	15,994.96	14,488.11	1,506.85	0.00
SYNTEX CORP	500	20,725.60	12,040.09	8,685.51	460.00
WHEELABRATOR	600	17,597.56	10,663.44	6,934.12	0.00
3RD QTR					
BECTON DICKIN	200	13,612.19	15,387.35	(1,775.16)	240.00
GTE CORP	700	20,804.48	23,971.51	(3,167.03)	1,204.00
JOHNS & JOHNS	200	20,761.95	18,612.35	2,149.60	320.00
NAT'L MEDICAL	600	9,044.77	13,923.37	(4,878.60)	288.00
U S WEST	300	10,476.45	5,623.31	4,853.14	624.00
WELLS FARGO	150	10,226.68	12,775.40	(2,548.72)	300.00
4TH QTR					
ARCHER-DANIEL	800	18,631.04	20,176.51	(1,545.47)	80.00
DISNEY	100	14,915.90	12,096.10	2,819.80	21.00
SPNB	300	10,180.47	10,180.47	0.00	816.00

TOTAL B. H. SALES 240,016.01 211,958.60 28,057.41 5,579.00

ANN LAND / BERTHA HENSCHEL TRUST  
INDIGENT AND MEMORIAL TRUST FUNDS  
ANNUAL REPORT  
FISCAL YEAR ENDED JUNE 30, 1992

COMBINED SUMMARY OF PURCHASES ACTIVITY

## ANN LAND MEMORIAL FUND

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QTR	COMPANY	SHARES OR PAR VALUE PURCHASED	COST	ANNUALIZED INCOME
1st	BANK AMERICA	50	2,202.28	50.00
	TIME WARNER	30	2,400.00	30.00
	WELLS FARGO	50	3,712.28	200.00
2nd	AMP INC	100	4,958.60	144.00
	ARCHER-DANIELS-MID	200	5,076.70	20.00
	CENTEX CORP	100	3,928.22	40.00
	UNION CAMP	150	6,773.48	234.00
3rd	BANK AMERICA CORP	50	2,088.56	64.00
	MOTOROLA	100	7,158.60	76.00
	SECURITY PACIFIC	100	3,410.14	272.00
	WAL-MART STORES	100	5,733.60	20.00
4th	BANK AMERICA CORP	88	3,410.14	457.60
	CIRCUIT CITY	150	5,258.71	72.00
	EMERSON ELECTRIC	100	5,458.60	276.00
	FOSTER WHEELER	200	5,510.77	480.00
	HUMANA INC	50	1,274.96	180.00
	TEXACO	50	3,371.11	160.00

## BERTHA HENSCHEL MEMORIAL FUND

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QTR	COMPANY	SHARES OR PAR VALUE PURCHASED	COST	ANNUALIZED INCOME
1st	BANK AMERICA	200	8,717.02	200.00
	TIME WARNER	60	4,800.00	60.00
	WELLS FARGO	100	7,358.60	400.00
2nd	AMP INC	200	9,903.59	288.00
	ARCHER-DANIELS-MID	800	20,176.51	80.00
	CENTEX CORP	400	15,623.90	160.00
	UNION CAMP	500	22,470.93	780.00
3rd	BANK AMERICA CORP	100	4,130.40	128.00
	MOTOROLA	200	14,312.35	152.00
	SECURITY PACIFIC	300	10,180.47	816.00
	WAL-MART STORES	250	14,320.74	50.00
4th	BANK AMERICA CORP	264	10,180.47	158.40
	CIRCUIT CITY	700	24,369.16	84.00
	EMERSON ELECTRIC	450	24,542.05	54.00
	FOSTER WHEELER	1,000	27,594.58	120.00
	TEXACO INC	300	20,003.60	480.00

TOTAL A. LAND PURCHASES:

71,726.75    2,775.60  
=====

TOTAL B. HENSCHEL PURCHASES:

238,684.37    4,010.40  
=====

COMBINED MEMORIAL FUNDS PURCHASED

310,411.12    6,786.00  
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## ATTACHMENT C

ANN LAND / BERTHA HENSCHEL MEMORIAL TRUST FUNDS  
ANNUAL REPORT  
FISCAL YEAR ENDED JUNE 30, 1992  
SUMMARY OF COMBINED INVESTMENT ASSETS

MEMORIAL FUND INVESTMENTS	COST	MARKET	ANNUALIZED INCOME	BOOK	MARKET
<b>CASH RESERVES</b>					
CMA Cash	19,101.71	19,101.71	699.12	1.38%	1.27%
Short Term Investments (Pool A)	97,708.84	97,708.84	7,816.71	7.07%	6.50%
<b>FIXED INCOME INVESTMENTS</b>					
Household & Personal Care	92,038.00	106,550.00	9,625.00	6.66%	7.09%
Manufacturer - Aircraft Engines	86,086.00	102,600.00	8,875.00	6.23%	6.82%
Utility	332,127.50	372,040.00	32,687.50	24.04%	24.74%
	510,251.50	581,190.00	51,187.50	36.93%	38.65%
<b>EQUITY INVESTMENTS</b>					
Common Stocks	754,624.08	805,726.25	28,165.10	54.62%	53.58%
<b>TOTAL MEMORIAL FUND ASSETS</b>	<b>1,381,686.13</b>	<b>1,503,726.80</b>	<b>87,868.43</b>	<b>100.00%</b>	<b>100.00%</b>
<b>INDIGENT FUND INVESTMENTS</b>					
CMA Cash	3,357.78	3,357.78	124.57		
Short Term Investments (Pool A)	48,387.47	48,387.47	3,871.00		
	51,745.25	51,745.25	3,995.57		
<b>Total Investments &amp; Accountability</b>	<b>1,433,431.38</b>	<b>1,555,472.05</b>	<b>91,864.00</b>		
<b>Rate of Return</b>	<b>6.41%</b>	<b>5.91%</b>			
<b>Principal Accountability (Original Bequeath)</b>	<b>549,720.00</b>				

ANN LAND / BERTHA HENSCHEL TRUST  
 INDIGENT AND MEMORIAL TRUST FUNDS  
 ANNUAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 1992

CASH FLOW SUMMARY

	ANN LAND	BERTHA HENSCHEL	COMBINED FUNDS
INCEPTION THROUGH 6/30/91			
GAINS/LOSSES (MEMORIAL)	59,887	728,551	788,438
INCOME (INDIGENT)	872,039	1,636,415	2,508,454
SUBTOTAL REVENUES	931,926	2,364,966	3,296,892
EXPENDITURES (INDIGENT)	(861,347)	(1,604,565)	(2,465,912)
FISCAL YEAR 91/92 ACTIVITY			
GAINS/LOSSES (MEMORIAL)	15,068	28,057	43,126
INCOME (INDIGENT)	22,790	71,215	94,005
SUBTOTAL REVENUES	37,859	99,272	137,131
EXPENDITURES (INDIGENT)	(27,221)	(71,376)	(98,597)
INCEPTION THROUGH 6/30/92			
GAINS/LOSSES (MEMORIAL)	74,955	756,608	831,564
INCOME (INDIGENT)	894,829	1,707,630	2,602,459
SUBTOTAL REVENUES	969,785	2,464,238	3,434,023
EXPENDITURES (INDIGENT)	(888,568)	(1,675,941)	(2,564,509)
TOTAL ASSETS AT 6/30/92	357,935	1,075,496	1,433,431
MEMORIAL FUNDS	346,799	1,034,887	1,381,686
INDIGENT FUNDS *	11,136	40,609	51,745
PRINCIPAL ACCOUNTABILITY (ORIGINAL BEQUEATH)	(271,720)	(278,000)	(549,720)
INCREASE IN FUND BALANCE	86,215	797,496	883,711

\* These balances include the amount of the 91/92 Interest Apportionment and Cost Recovery Fees that were received after the preparation of the 91/92 4th Quarter Report.