

REPORT

To the Honorable Mayor and City Council
From the City Manager

January 19, 2011

Subject

Monthly Investment Report for Period Ending December 31, 2010.

Background

The attached investment report indicates that on December 31, 2010 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$121,487,879.48 were invested producing an average yield of 0.89%. The target Fed Funds rate for December is 0.25%. The report represents all securities in which City funds, including all trust funds and agency funds, are invested (excluding deferred compensation plans).

No securities were purchased in December.

Securities matured, called, or sold in the month of December:

| Investment Type | Date | Par Amount | Interest Rate |
|----------------------------------|------------|----------------|---------------|
| Federal Home Loan Mortgage Corp. | 12/14/2010 | \$3,000,000.00 | 2.125 % |
| Federal Home Loan Mortgage Corp. | 12/14/2010 | \$3,000,000.00 | 1.624 % |
| Federal Home Loan Bank | 12/14/2010 | \$3,000,000.00 | 1.400 % |
| Fannie Mae | 12/14/2010 | \$3,000,000.00 | 1.247 % |
| Federal Home Loan Bank | 12/14/2010 | \$3,000,000.00 | 0.999 % |
| Federal Home Loan Bank | 12/14/2010 | \$3,000,000.00 | 0.999 % |
| Federal Home Loan Mortgage Corp. | 12/28/2010 | \$3,000,000.00 | 1.250 % |

The City's investment policy requires that approximately 50% of idle funds be placed in liquid investments, not more than 50% of idle funds be invested for more than one year, and not more than 25% of idle funds be invested for more than two years. Based on the City's current investments:

| Investment Term | Policy Requirements | Actual |
|---|---------------------|------------------|
| Liquid (minimum) | \$ 60,602,939.74 | \$ 68,572,479.48 |
| With maturity greater than one year (max) | \$ 60,602,939.74 | \$ 63,312,998.00 |
| With maturity greater than two year (max) | \$ 30,301,469.87 | \$ 60,323,798.00 |

Investment brokers used to purchase securities for the City are Morgan Stanley Smith Barney, Merrill Lynch, and Cantor Fitzgerald.

As of December 31, the City has sufficient liquid resources available to meet expenditure requirements for the next six months.



Brian J. Ponty
Director of Finance



Sylvia Bravo Peters
Deputy Treasurer

cc: Robert Bell, Interim City Manager

I N V E S T M E N T P O R T F O L I O

31 DEC 2010

| TYPE | DATE PURCHASED | PURCHASE PRICE (\$) | MATURITY DATE | YIELD % | PAR VALUE (\$) | % OF PORTFOLIO | MARKET VALUE (\$) (2) | Average MATURITY (Months) | NEXT CALL DATE |
|--|-------------------|------------------------|------------------|------------|-------------------|-------------------|--------------------------|---------------------------------|----------------------|
| ----- | | | | | | | | | |
| US AGENCIES, SECURITIES, AND CORPORATE NOTES | | | | | | | | | |
| Federal National Mortgage Assoc. | 07-19-10 | 3,000,000.00 | 01-19-11 | 1.125 | 3,000,000.00 | 2.469 | 3,000,360.00 | 0.00 | 01-19-11 |
| Federal Home Loan Mortgage Corp. | 12-09-08 | 3,209,580.00 | 07-18-11 | 2.467 | 3,000,000.00 | 2.469 | 3,080,580.00 | 0.15 | |
| Federal Home Loan Bank | (1) 11-23-10 | 3,000,000.00 | 08-23-12 | 0.500 | 3,000,000.00 | 2.469 | 2,989,200.00 | 0.49 | 02-23-11 |
| Federal Home Loan Mortgage Corp. | (1) 10-29-10 | 3,000,000.00 | 04-29-13 | 0.700 | 3,000,000.00 | 2.469 | 2,981,610.00 | 0.69 | 04-29-11 |
| Federal National Mortgage Assoc. | (1) 09-27-10 | 3,000,000.00 | 06-27-13 | 1.000 | 3,000,000.00 | 2.469 | 2,995,410.00 | 0.74 | 09-27-11 |
| Federal Home Loan Mortgage Corp. | (1) 07-26-10 | 3,000,000.00 | 07-26-13 | 1.400 | 3,000,000.00 | 2.469 | 3,001,350.00 | 0.77 | 01-26-11 |
| Federal Home Loan Mortgage Corp. | (1) 07-26-10 | 1,500,000.00 | 07-26-13 | 1.000 | 1,500,000.00 | 1.235 | 1,500,210.00 | 0.38 | 01-26-11 |
| Federal Home Loan Bank | (1) 11-01-10 | 3,000,000.00 | 08-01-13 | 0.750 | 3,000,000.00 | 2.469 | 2,974,020.00 | 0.77 | 02-01-11 |
| Federal National Mortgage Assoc. | (1) 08-02-10 | 3,000,000.00 | 08-02-13 | 0.750 | 3,000,000.00 | 2.469 | 3,000,150.00 | 0.77 | 02-02-11 |
| Federal National Mortgage Assoc. | (1) 08-09-10 | 3,000,000.00 | 08-09-13 | 1.300 | 3,000,000.00 | 2.469 | 3,001,950.00 | 0.77 | 02-09-11 |
| Federal National Mortgage Assoc. | (1) 08-19-10 | 3,000,000.00 | 08-19-13 | 1.250 | 3,000,000.00 | 2.469 | 2,998,740.00 | 0.79 | 08-19-11 |
| Federal Home Loan Mortgage Corp. | (1) 08-23-10 | 3,000,000.00 | 08-23-13 | 1.150 | 3,000,000.00 | 2.469 | 2,993,520.00 | 0.79 | 02-23-11 |
| Federal Home Loan Bank | (1) 08-30-10 | 2,000,000.00 | 08-28-13 | 0.600 | 2,000,000.00 | 1.646 | 1,999,778.00 | 0.53 | 02-28-11 |
| Federal Home Loan Bank | (1) 08-30-10 | 3,000,000.00 | 08-28-13 | 0.500 | 3,000,000.00 | 2.469 | 2,998,950.00 | 0.79 | 02-28-11 |
| Federal Home Loan Bank | (1) 09-03-10 | 3,000,000.00 | 09-03-13 | 1.050 | 3,000,000.00 | 2.469 | 2,992,380.00 | 0.79 | 12-03-10 |
| Fed Farm Credit | (1) 09-09-10 | 3,000,000.00 | 09-09-13 | 1.040 | 3,000,000.00 | 2.469 | 2,990,640.00 | 0.79 | 03-09-11 |
| Federal Home Loan Bank | (1) 09-09-10 | 3,000,000.00 | 09-09-13 | 1.000 | 3,000,000.00 | 2.469 | 2,993,490.00 | 0.79 | 09-09-11 |
| Federal National Mortgage Assoc. | (1) 09-17-10 | 3,000,000.00 | 09-17-13 | 1.125 | 3,000,000.00 | 2.469 | 2,993,070.00 | 0.81 | 03-17-11 |
| Federal Home Loan Mortgage Corp. | (1) 09-24-10 | 3,000,000.00 | 09-24-13 | 1.200 | 3,000,000.00 | 2.469 | 2,990,070.00 | 0.81 | 03-24-11 |
| Federal Home Loan Mortgage Corp. | (1) 09-24-10 | 3,000,000.00 | 09-24-13 | 1.200 | 3,000,000.00 | 2.469 | 2,990,070.00 | 0.81 | 03-24-11 |
| Federal Home Loan Mortgage Corp. | (1) 09-30-10 | 3,000,000.00 | 09-30-13 | 0.750 | 3,000,000.00 | 2.469 | 2,996,370.00 | 0.81 | 03-30-11 |
| Federal Home Loan Bank | (1) 10-28-10 | 3,000,000.00 | 10-28-13 | 0.875 | 3,000,000.00 | 2.469 | 2,967,540.00 | 0.84 | 01-28-11 |
| Fed Farm Credit | (1) 11-12-10 | 3,000,000.00 | 11-12-13 | 0.790 | 3,000,000.00 | 2.469 | 2,995,830.00 | 0.84 | 05-12-10 |
| Federal National Mortgage Assoc. | (1) 11-26-10 | 3,000,000.00 | 11-26-13 | 1.000 | 3,000,000.00 | 2.469 | 2,968,650.00 | 0.86 | 05-26-11 |
| Total Securities | | 69,709,580.00 | | 1.036 | 69,500,000.00 | 57.207 | 69,393,938.00 | 16.59 | |
| CERTIFICATE OF DEPOSITS | | | | | | | | | |
| METLIFE BANK | 10-20-10 | 187,000.00 | 01-20-11 | 0.200 | 187,000.00 | 0.154 | | 0.00 | |
| FIRST NATIONAL BANK | 03-03-10 | 95,000.00 | 03-03-11 | 0.650 | 95,000.00 | 0.078 | | 0.00 | |
| Total Certificate of Deposits | | | | 0.352 | 282,000.00 | 0.232 | | 0.00 | |
| ----- | | | | | | | | | |
| LIQUID ACCOUNTS | | | | | | | | | |

I N V E S T M E N T P O R T F O L I O

31 DEC 2010

| TYPE | DATE PURCHASED | PURCHASE PRICE (\$) | MATURITY DATE | YIELD % | PAR VALUE (\$) | % OF PORTFOLIO | MARKET VALUE (\$) (2) | Average MATURITY (Months) | NEXT CALL DATE |
|---|-------------------|------------------------|------------------|--------------------------|-------------------|-------------------|--------------------------|---------------------------------|----------------------|
| STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY | | | | 0.462 | 24,580,110.66 | 20.233 | | 0.20 | |
| COUNTY OF SAN MATEO - CITY OF REDWOOD CITY | | | | 0.930 | 21,103,074.14 | 17.371 | | 0.17 | |
| COUNTY OF SAN MATEO - REDEVELOPMENT AGENCY | | | | 0.930 | 6,022,694.68 | 4.957 | | 0.05 | |
| Total Liquid Accounts | | | | 0.708 | 51,705,879.48 | 42.561 | | 0.43 | |
| SUB-TOTAL | | | | (average weighted yield) | 0.890 | 121,487,879.48 | 100.00 | 17.02 | |
| CASH AND INVESTMENTS WITH FISCAL AGENTS | | | | | | | | | |
| 1998 CITY HALL COP - RESERVE FUND - LAIF | | | | 0.000 | 0.06 | | | | |
| 1998 LEASE REVENUE REFUNDING-RESERVE FUND-US TREASURY | | | 01-15-11 | 4.190 | 1,185,187.50 | 5.917 | | | |
| 1998 PFA LS REV REFDG BONDS-RESERVE FUND-MMF | | | | 0.100 | 25,506.93 | 0.127 | | | |
| 2000A PACIFIC SHORES BONDS-SPECIAL TAX FUND | | | | 0.000 | 5.09 | | | | |
| 2000A PACIFIC SHORES-RESERVE FUND-MMF | | | | 0.100 | 57,954.03 | 0.289 | | | |
| 2000A PACIFIC SHORES-TRAFFIC MITIGATION FUND-MMF | | | | 0.000 | 1,016.03 | 0.005 | | | |
| 2001A RWC TRANS IMPROVMT - CITIBANK CD | | | 08-26-13 | 1.000 | 182,000.00 | 0.909 | | | |
| 2001A RWC TRANS IMPROVMT - MEDALLION BANK CD | | | 09-03-13 | 1.250 | 182,000.00 | 0.909 | | | |
| 2001A RWC TRANS IMPRVMT BONDS-ADM EXPENSE FUND-MMF | | | | 0.000 | 4.14 | | | | |
| 2001A RWC TRANS IMPRVMT BONDS-RESERVE FUND-MMF | | | | 0.000 | 6,199.18 | 0.031 | | | |
| 2003 PFA LS REV REFDG BONDS - RESERVE FUND - FED HOM LOAN MTG | | | 01-20-12 | 2.040 | 1,075,000.00 | 5.367 | | | |
| 2003 PFA LS REV REFDG BONDS-RESERVE FUND-MMF | | | | 0.000 | 18,727.92 | 0.094 | | | |
| 2003A RDA TAX ALLOCATION BONDS-CONSTRUCTION FUND MMF | | | | 0.000 | 219,990.78 | 1.098 | | | |
| 2003A RDA TAX ALLOCATION BONDS-I&R FUND-MMF | | | | 0.000 | 0.38 | | | | |
| 2003B IMPRV PHASE 2 - SYNOVUS BANK CD | | | 03-02-12 | 0.006 | 187,000.00 | 0.934 | | | |
| 2003B IMPRV PHASE2 - GE MONEY CD | | | 08-27-13 | 0.015 | 150,000.00 | 0.749 | | | |
| 2003B RWS TRAF IMPRV PHASE II BONDS-RESERVE-MMF | | | | 0.000 | 58.59 | | | | |
| 2005A WATER REVENUE BONDS-RESERVE FUND -MMF | | | | 0.000 | 22,747.56 | 0.114 | | | |
| 2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET | | | | 0.000 | 16,287.09 | 0.081 | | | |
| 2006A WATER REV BONDS-FHLMC-RESERVE FUND | | | 10-18-13 | 0.850 | 1,500,000.00 | 7.489 | | | |
| 2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT | | | 02-01-35 | 5.451 | 950,950.00 | 4.747 | | | |
| CD - ISRAEL DISCOUNT BANK OF NY | | | 01-21-11 | 0.200 | 51,000.00 | 0.255 | | | |
| CD-METLIFE BANK | | | 01-12-11 | 0.200 | 43,000.00 | 0.215 | | | |
| RECYCLE WATER 2007 RESERVE FUND -MMF | | | | 0.000 | 782.92 | 0.004 | | | |
| RECYCLE WATER PROJECT 2007A-MMF | | | | 0.000 | 924.30 | 0.005 | | | |
| RWC 05A RESERVE BANK OF INDIA->GE MONEY BANK | | | 07-23-13 | 1.750 | 87,000.00 | 0.434 | | | |

I N V E S T M E N T P O R T F O L I O

31 DEC 2010

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|--|----------------|---------------------|---------------|---------|-----------------------|----------------|----------------------|---------------------------|----------------|
| RWC 06A RESERVE BANK OF INDIA->ALLY BANK - CD | | | 07-23-13 | 1.800 | 90,000.00 | 0.449 | | | |
| RWC 2000A PACIFIC SHORES BONDS-RESERVE FUND-USTN | | | 10-31-11 | 4.400 | 2,056,289.46 | 10.266 | | | |
| RWC 2005A FHLMC-RESERVE FUND | | | 10-18-13 | 0.850 | 2,100,000.00 | 10.484 | | | |
| RWC PACIFIC SHORES PRINCIPAL 2001-1 RESERVE FUND-MMF | | | | 0.100 | 47,407.29 | 0.237 | | | |
| TRAFFIC IMPACT FUND - MONEY MARKET | | | | 0.000 | 960.17 | 0.005 | | | |
| 2003A TAX ALLOCATION BONDS/TRAFFIC IMPACT FUND-LAIF | | | | 0.560 | 6,324,718.23 | 31.575 | | | |
| 2007 WATER REV BONDS - LAIF | | | | 0.560 | 3,447,984.26 | 17.214 | | | |
| Total with Fiscal Agents | | | | | 20,030,701.91 | 100.0 | | | |
| TOTAL BOTH PORTFOLIOS | | | | | <u>141,518,581.39</u> | | | | |

* Difference in value between Principal Amount and Market Value may be due to timing of purchase. Some of these investments may have been purchased when interest rates were low. Principal amount also indicates PAR (face) value and does not reflect whether investment was purchased at a discount or premium. As interest rates increase or decrease the value of the investment will decrease or increase accordingly. The City's investment intention is to hold the investments to maturity thereby receiving PAR value at maturity unless the City will realize a profit by liquidating the investment prior to maturity date.

- (1) Denotes investments with a maturity greater than one (1) year.
- (2) Market value obtained from the Principal Portfolio statement issued by Union Bank of California, Redwood City's third party administrator.

Investment Policy - Maturity of Investments Guidelines

As of 31 DEC 2010:

- \$69,500,000.00 securities
- \$282,000.00 cds
- \$51,705,879.48 liquids
-
- \$121,487,879.48 securities & liquid = "idle funds"
-
- \$282,000.00 cds
- \$51,705,879.48 liquids
- 3,000,360.00 FNMA
- 3,080,580.00 FHLMC

I N V E S T M E N T P O R T F O L I O

31 DEC 2010

| TYPE | DATE PURCHASED | PURCHASE PRICE (\$) | MATURITY DATE | YIELD % | PAR VALUE (\$) | % OF PORTFOLIO | MARKET VALUE (\$)(2) | Average MATURITY (Months) | NEXT CALL DATE |
|-------|-------------------|---|------------------|------------|-------------------|-------------------|-------------------------|---------------------------------|----------------------|
| | 3,001,350.00 | FHLMC | | | | | | | |
| | 1,500,210.00 | FHLMC | | | | | | | |
| | 3,000,150.00 | FNMA | | | | | | | |
| | 3,001,950.00 | FNMA | | | | | | | |
| ----- | | | | | | | | | |
| | \$68,572,479.48 | Total investments that can be sold at face value in emergency | | | | | | | |

The following summarizes the City's investment policy liquidity and maturity requirements based on current surplus funds and the City's actual current standing:

- Policy:
- 1 Approximately 50% of idle funds will be placed in investments that can be sold at face value in event of emergency (liquid investments plus securities with market value at least equal to par value)
 - 2 Not more than 50% of idle funds shall be invested for more than one year (based on market value, maturity greater than one year)
 - 3 Not more than 25% of idle funds shall be invested for more than two years (based on market value, maturity greater than two years)

| 31 DEC 2010 result: | Policy Requirements Based on Current Investments | Actual Investments |
|------------------------|--|-----------------------|
| | 1 \$60,602,939.74 | \$68,572,479.48 |
| | 2 \$60,602,939.74 | \$63,312,998.00 |
| | 3 \$30,301,469.87 | \$60,323,798.00 |