

REPORT

To the Honorable Mayor and City Council
From the City Manager

February 11, 2011

Subject

Monthly Investment Report for Period Ending January 31, 2011.

Background

The attached investment report indicates that on January 31, 2011 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$116,260,804.34 were invested producing an average yield of 0.815%. The target Fed Funds rate for January 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).

Securities purchased in the month of January:

Investment Type	Date purchased	Par Amount	Interest Rate	Matures
Federal Home Loan Mortgage Corp.	01/26/2011	\$3,000,000.00	0.750%	10/26/2012

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

Investment Type	Date	Par Amount	Interest Rate
Fannie Mae	01/19/2011	\$3,000,000.00	1.125 %
Certificate of Deposit	01/20/2011	\$ 187,000.00	0.200 %
Federal Home Loan Mortgage Corp.	01/26/2011	\$3,000,000.00	1.400 %
Federal Home Loan Mortgage Corp	01/26/2011	\$1,500,000.00	1.000 %

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)	\$ 58,082,902.17	\$ 66,337,754.34
With maturity greater than one year (max)	\$ 58,082,902.17	\$ 61,873,432.00
With maturity greater than two year (max)	\$ 29,041,451.09	\$ 55,876,672.00

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

As of January 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 JAN 2011

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
RWC 2005A FHLMC-RESERVE FUND			10-18-13	0.850	2,100,000.00	8.489			
RWC PACIFIC SHORES PRINCIPAL 2001-1 RESERVE FUND-MMF				0.100	47,415.22	0.192			
TRAFFIC IMPACT FUND - MONEY MARKET				0.000	960.17	0.004			
2003A TAX ALLOCATION BONDS/TRAFFIC IMPACT FUND-LAIF				0.460	6,324,718.23	25.568			
2007 WATER REV BONDS - LAIF				0.560	3,447,984.26	13.939			
Total with Fiscal Agents					24,737,074.27	100.0			
TOTAL BOTH PORTFOLIOS					<u>140,997,878.61</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 JAN 2011:

\$65,000,000.00	securities
\$95,000.00	cds
\$51,165,804.34	liquids

\$116,260,804.34	securities & liquid = "idle funds"
\$95,000.00	cds
\$51,165,804.34	liquids
3,070,560.00	FHLMC
3,002,130.00	FNMA
3,000,600.00	FNMA
3,001,200.00	FNMA

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

31 JAN 2011

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
------	-------------------	------------------------	------------------	------------	-------------------	-------------------	-------------------------	---------------------------------	----------------------

 3,002,460.00 FNMA

\$66,337,754.34 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 JAN 2011 result:	Policy Requirements Based on Current Investments	Actual Investments
	-----	-----
	1 \$58,082,902.17	\$66,337,754.34
	2 \$58,082,902.17	\$61,873,432.00
	3 \$29,041,451.09	\$55,876,672.00