

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

October 13, 2010

## Subject

Monthly Investment Report for Period Ending September 30, 2010.

## Background

The attached investment report indicates that on September 30, 2010 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$105,930,570.21 were invested producing an average yield of 1.268%. The target Fed Funds rate for September 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 September:

Investment Type	Date purchased	Par Amount	Interest Rate	Matures
Federal Home Loan Bank	09/03/2010	\$3,000,000.00	1.050 %	09/03/2013
Federal Farm Credit Bank	09/09/2010	\$3,000,000.00	1.040 %	09/09/2013
Federal Home Loan Bank	09/09/2010	\$3,000,000.00	1.000 %	09/09/2013
Fannie Mae	09/17/2010	\$3,000,000.00	1.250 %	09/17/2013
Federal Home Loan Mortgage Corp	09/24/2010	\$3,000,000.00	1.200 %	09/24/2013
Federal Home Loan Mortgage Corp	09/24/2010	\$3,000,000.00	1.200 %	09/24/2013
Fannie Mae	09/27/2010	\$3,000,000.00	1.000 %	06/27/2013
Federal Home Loan Mortgage Corp	09/30/2010	\$3,000,000.00	0.750 %	09/30/2013

Securities matured or called in the month of September:

Investment Type	Date Called/ Matured	Par Amount	Interest Rate
Federal Home Loan Bank	09/10/2010	\$3,000,000.00	5.125 %
Federal Home Loan Bank	09/27/2010	\$3,000,000.00	1.125 %

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)	\$52,917,785.11	\$100,287,080.21
With maturity greater than one year (max)	\$52,917,785.11	\$74,255,140.00
With maturity greater than two year (max)	\$26,458,892.55	\$68,128,570.00

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

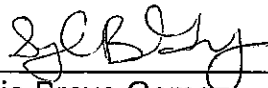
As of September 30, the City has sufficient liquid resources available to meet expenditure

requirements for the next six months.



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Brian J. Ponty  
Director of Finance



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Sylvia Bravo Gomez  
Deputy Treasurer

cc: Peter Ingram, City Manager

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

30 SEP 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
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US AGENCIES, SECURITIES, AND CORPORATE NOTES									
Federal Home Loan Mortgage Corp.	07-08-10	3,000,000.00	10-08-10	1.550	3,000,000.00	2.832	3,000,510.00	0.00	10-08-10
Federal Home Loan Bank	08-16-10	3,000,000.00	10-14-10	1.125	3,000,000.00	2.832	3,000,000.00	0.00	10-14-10
Federal Home Loan Bank	07-15-10	3,000,000.00	10-18-10	1.450	3,000,000.00	2.832	3,000,930.00	0.00	10-18-10
Federal Home Loan Bank	08-20-10	1,000,000.00	10-20-10	0.800	1,000,000.00	0.944	1,000,310.00	0.00	10-20-10
Federal Home Loan Bank	10-10-07	1,989,260.00	10-22-10	4.567	2,000,000.00	1.888	2,005,000.00	0.00	
Federal Home Loan Mortgage Corp.	12-09-08	3,209,580.00	07-18-11	2.467	3,000,000.00	2.832	3,119,070.00	0.25	
Federal National Mortgage Assoc.	(1) 10-27-09	3,000,000.00	07-27-12	1.700	3,000,000.00	2.832	3,002,820.00	0.62	10-27-10
Federal Home Loan Mortgage Corp.	(1) 10-07-09	3,048,420.00	09-21-12	1.563	3,000,000.00	2.832	3,093,750.00	0.68	
Federal National Mortgage Assoc.	(1) 04-12-10	3,000,000.00	04-08-13	1.249	3,000,000.00	2.832	3,009,390.00	0.85	04-08-11
Federal Home Loan Bank	(1) 06-17-10	3,000,000.00	06-17-13	1.000	3,000,000.00	2.832	3,001,890.00	0.93	03-17-11
Federal National Mortgage Assoc.	(1) 09-27-10	3,000,000.00	06-27-13	1.000	3,000,000.00	2.832	3,005,640.00	0.93	09-27-11
Federal Home Loan Bank	(1) 06-28-10	3,000,000.00	06-28-13	1.000	3,000,000.00	2.832	3,006,570.00	0.93	06-28-11
Federal Home Loan Mortgage Corp.	(1) 06-28-10	3,000,000.00	06-28-13	1.250	3,000,000.00	2.832	3,004,650.00	0.93	12-28-10
Federal Home Loan Mortgage Corp.	(1) 06-28-10	3,000,000.00	06-28-13	1.625	3,000,000.00	2.832	3,025,410.00	0.93	06-28-11
Federal Home Loan Bank	(1) 07-12-10	3,000,000.00	07-12-13	1.400	3,000,000.00	2.832	3,025,320.00	0.93	01-12-12
Federal National Mortgage Assoc.	(1) 07-19-10	3,000,000.00	07-19-13	1.125	3,000,000.00	2.832	3,001,890.00	0.96	01-19-11
Federal Home Loan Mortgage Corp.	(1) 07-26-10	3,000,000.00	07-26-13	1.400	3,000,000.00	2.832	3,006,870.00	0.96	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	1.416	1,500,945.00	0.48	01-26-11
Federal Home Loan Bank	(1) 07-29-10	1,500,000.00	07-29-13	1.250	1,500,000.00	1.416	1,500,945.00	0.48	10-29-10
Federal National Mortgage Assoc.	(1) 08-02-10	3,000,000.00	08-02-13	0.750	3,000,000.00	2.832	3,000,000.00	0.96	02-02-11
Federal National Mortgage Assoc.	(1) 08-09-10	3,000,000.00	08-09-13	1.300	3,000,000.00	2.832	3,006,570.00	0.96	02-09-11
Federal National Mortgage Assoc.	(1) 08-19-10	3,000,000.00	08-19-13	1.250	3,000,000.00	2.832	3,010,320.00	0.99	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	2.832	3,004,110.00	0.99	02-23-11
Federal Home Loan Bank	(1) 08-30-10	2,000,000.00	08-28-13	0.600	2,000,000.00	1.888	2,000,020.00	0.66	02-28-11
Federal Home Loan Bank	(1) 08-30-10	3,000,000.00	08-28-13	0.500	3,000,000.00	2.832	2,998,140.00	0.99	02-28-11
Federal Home Loan Bank	(1) 09-03-10	3,000,000.00	09-03-13	1.050	3,000,000.00	2.832	3,002,820.00	0.99	12-03-10
Fed Farm Credit	(1) 09-09-10	3,000,000.00	09-09-13	1.040	3,000,000.00	2.832	3,001,890.00	0.99	03-09-11
Federal Home Loan Bank	(1) 09-09-10	3,000,000.00	09-09-13	1.000	3,000,000.00	2.832	3,009,390.00	0.99	09-09-11
Federal National Mortgage Assoc.	(1) 09-17-10	3,000,000.00	09-17-13	1.125	3,000,000.00	2.832	3,004,680.00	1.02	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	2.832	3,002,400.00	1.02	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	2.832	3,002,400.00	1.02	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	2.832	2,996,310.00	1.02	03-30-11
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Total Securities		89,247,260.00 ✓		1.289	89,000,000.00 ✓	84.017	89,350,960.00 ✓	23.52	

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

30 SEP 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$) (2)	Average MATURITY (Months)	NEXT CALL DATE
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CERTIFICATE OF DEPOSITS									
FIRST NATIONAL BANK	03-03-10	95,000.00	03-03-11	0.650	95,000.00	0.090		0.00	
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Total Certificate of Deposits				0.650	95,000.00	0.090		0.00	
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LIQUID ACCOUNTS									
STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY				0.500	5,492,847.21	5.185		0.05	
COUNTY OF SAN MATEO - CITY OF REDWOOD CITY				1.530	4,363,036.99	4.119		0.04	
COUNTY OF SAN MATEO - REDEVELOPMENT AGENCY				1.530	6,979,686.01	6.589		0.07	
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Total Liquid Accounts				1.194	16,835,570.21	15.893		0.16	
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SUB-TOTAL		(average weighted yield)		1.268	105,930,570.21	100.00		23.68	
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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	5.414			
1998 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.100	25,500.56	0.117			
2000A PACIFIC SHORES-RESERVE FUND-MMF				0.100	57,939.59	0.265			
2000A PACIFIC SHORES-TRAFFIC MITIGATION FUND-MMF				0.000	567.80	0.003			
2001A RWC TRANS IMPROVMT BONDS-FHLMC-RESERVE FUND			01-20-12	1.000	182,000.00	0.831			
2001A RWC TRANS IMPRVMT BONDS-ADM EXPENSE FUND-MMF				0.000	4.14				
2001A RWC TRANS IMPRVMT BONDS-RESERVE FUND-MMF				0.000	187,631.98	0.857			
2003 PFA LS REV REFDG BONDS - RESERVE FUND - FED HOM LOAN MTG			01-20-12	2.020	1,075,000.00	4.911			
2003 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	18,727.92	0.086			
2003A RDA TAX ALLOCATION BONDS-CONSTRUCTION FUND MMF				0.000	219,990.78	1.005			
2003A RDA TAX ALLOCATIONS BONDS -I7R FUND-MMF				0.000	0.38				
2003B IMPRV PHASE 2 FHLMC-RESERVE FUND-MMF			01-20-12	1.510	150,000.00	0.685			
2003B RWS TRAF IMPRV PHASE II BONDS-RESERVE-MMF				0.000	230,058.59	1.051			
2005A WATER REVENUE BONDS-RESERVE FUND -MMF				0.000	697.55	0.003			
2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET				0.000	537.09	0.002			
2006A WATER REV BONDS-FHLMC-RESERVE FUND			04-15-13	2.080	1,500,000.00	6.853			
2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT			02-01-35	5.451	950,950.00	4.344			
RECYCLE WATER 2007 RESERVE FUND -MMF				0.000	51,782.92	0.237			

I N V E S T M E N T P O R T F O L I O  
30 SEP 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
RECYCLE WATER PROJECT 2007A-MMF				0.000	869.28	0.004			
RWC 05A RESERVE BANK OF INDIA->GE MONEY BANK			07-23-13	1.750	87,000.00	0.397			
RWC 06A RESERVE BANK OF INDIA->ALLY BANK - CD			07-23-13	1.800	90,000.00	0.411			
RWC 2000A PACIFIC SHORES BONDS-RESERVE FUND-USTN			10-31-11	4.400	2,056,289.46	9.394			
RWC 2002A IMP PROJECT BANK OF AMERICA-CD			12-23-10	0.150	116,000.00	0.530			
RWC 2002A IMP PROJECT BANK OF CHINA - CD			12-23-10	0.300	240,000.00	1.096			
RWC 2005A FHLMC-RESERVE FUND			04-15-13	2.080	2,100,000.00	9.594			
RWC PACIFIC SHORES PRINCIPAL 2001-1 RESERVE FUND-MMF				0.100	1.04				
TRAFFIC IMPACT FUND - MONEY MARKET				0.000	960.17	0.004			
2003A TAX ALLOCATION BONDS/TRAFFIC IMPACT FUND-LAIF				0.560	6,316,559.33	28.856			
2007 WATER REV BONDS - LAIF				0.560	5,045,516.61	23.050			
Total with Fiscal Agents					21,889,772.75	100.0			
TOTAL BOTH PORTFOLIOS					<u>127,820,342.96</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 30 SEP 2010:

\$89,000,000.00 securities

\$95,000.00 cds

\$16,835,570.21 liquids

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\$105,930,570.21 securities & liquid = "idle funds"

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

30 SEP 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$) (2)	Average MATURITY (Months)	NEXT CALL DATE
		\$95,000.00							
		\$16,835,570.21							
		3,000,510.00							
		3,000,000.00							
		3,000,930.00							
		1,000,310.00							
		2,005,000.00							
		3,119,070.00							
		3,002,820.00							
		3,093,750.00							
		3,009,390.00							
		3,001,890.00							
		3,005,640.00							
		3,006,570.00							
		3,004,650.00							
		3,025,410.00							
		3,025,320.00							
		3,001,890.00							
		3,006,870.00							
		1,500,945.00							
		1,500,945.00							
		3,000,000.00							
		3,006,570.00							
		3,010,320.00							
		3,004,110.00							
		2,000,020.00							
		3,002,820.00							
		3,001,890.00							
		3,009,390.00							
		3,004,680.00							
		3,002,400.00							
		3,002,400.00							

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 \$100,287,080.21 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:

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

30 SEP 2010

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

30 SEP 2010 result:	Policy Requirements Based on Current Investments	Actual Investments
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	1 \$52,917,785.11	\$100,287,080.21
	2 \$52,917,785.11	\$74,225,140.00
	3 \$26,458,892.55	\$68,128,570.00