

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

February 11, 2010

## Subject

Monthly Investment Report for Period Ending January 31, 2010.

## Background

The attached investment report indicates that on January 31, 2010 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$112,139,588.48 were invested producing an average yield of 1.919%. 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 National Mortgage Assoc.	01/19/10	\$3,000,000.00	1.00 %	7/19/12

Securities matured or called in the month of January:


Investment Type	Date Called/ Matured	Par Amount	Interest Rate
US Treasury	1/15/2010	\$3,000,000.00	3.625%

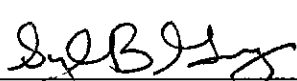
The City's investment policy requires that approximately 50% of idle funds be placed in liquid investments, not more than 50% of idle funds be invested for more than one year, and not more than 25% of idle funds be invested for more than two years. Based on the City's current investments:

Investment Term	Policy Requirements	Actual
Liquid (minimum)	\$56,022,294.24	\$104,853,725.15
With maturity greater than one year (max)	\$56,022,294.24	\$42,073,183.34
With maturity greater than two year (max)	\$28,011,147.12	\$32,150,020.00

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.

  
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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

31 JAN 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$) (2)	Average MATURITY (Months)	CALL DATE
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US AGENCIES, SECURITIES, AND CORPORATE NOTES									
Federal National Mortgage Assoc.	02-02-07	2,903,190.00	02-15-10	5.034	3,000,000.00	2.675	3,004,680.00	0.00	
Federal Home Loan Bank	03-13-07	3,015,360.00	03-12-10	4.810	3,000,000.00	2.675	3,016,890.00	0.03	
Federal Home Loan Bank	05-23-07	2,990,565.00	05-14-10	4.990	3,000,000.00	2.675	3,040,320.00	0.08	
Federal Home Loan Bank	06-05-07	3,004,932.00	06-11-10	5.190	3,000,000.00	2.675	3,055,320.00	0.11	
Federal Home Loan Bank	08-28-07	1,963,680.00	08-13-10	4.790	2,000,000.00	1.783	2,041,260.00	0.11	
Federal Home Loan Bank	09-26-07	3,050,190.00	09-10-10	4.513	3,000,000.00	2.675	3,090,930.00	0.19	
Federal Home Loan Bank	10-10-07	1,989,260.00	10-22-10	4.567	2,000,000.00	1.783	2,056,260.00	0.14	
Federal National Mortgage Assoc.	(1) 07-01-08	3,000,000.00	07-01-11	4.250	3,000,000.00	2.675	3,048,750.00	0.45	07-01-08
Federal Home Loan Mortgage Corp.	(1) 12-09-08	3,209,580.00	07-18-11	2.467	3,000,000.00	2.675	3,198,750.00	0.45	
Federal National Mortgage Assoc.	(1) 10-28-09	1,000,000.00	10-28-11	1.200	1,000,000.00	0.892	1,001,250.00	0.19	04-28-10
Federal Home Loan Mortgage Corp.	(1) 11-03-09	1,000,000.00	11-03-11	1.320	1,000,000.00	0.892	1,000,040.00	0.19	02-03-10
Federal Home Loan Bank	(1) 12-09-09	666,666.67	12-09-11	1.825	666,666.67	0.595	666,873.34	0.13	03-09-10
Federal National Mortgage Assoc.	(1) 01-27-09	999,000.00	01-27-12	2.030	1,000,000.00	0.892	1,007,500.00	0.21	07-27-10
Fed Farm Credit	(1) 12-22-09	2,000,000.00	05-22-12	1.400	2,000,000.00	1.783	1,999,900.00	0.50	03-22-10
Federal Home Loan Mortgage Corp.	(1) 06-29-09	3,000,000.00	06-29-12	2.450	3,000,000.00	2.675	3,022,560.00	0.78	06-29-10
Federal National Mortgage Assoc.	(1) 07-06-09	3,000,000.00	07-06-12	2.375	3,000,000.00	2.675	3,022,500.00	0.78	07-06-10
Federal National Mortgage Assoc.	(1) 01-19-10	3,000,000.00	07-19-12	1.000	3,000,000.00	2.675	2,999,070.00	0.80	07-19-10
Federal National Mortgage Assoc.	(1) 10-27-09	3,000,000.00	07-27-12	1.700	3,000,000.00	2.675	3,009,390.00	0.80	10-27-10
Federal Home Loan Bank	(1) 08-17-09	3,000,000.00	08-17-12	2.000	3,000,000.00	2.675	3,001,890.00	0.80	02-17-10
Federal Home Loan Bank	(1) 08-24-09	3,000,000.00	08-24-12	2.150	3,000,000.00	2.675	3,022,500.00	0.83	08-24-10
Federal Home Loan Mortgage Corp.	(1) 10-07-09	3,048,420.00	09-21-12	1.563	3,000,000.00	2.675	3,060,000.00	0.86	
Federal Home Loan Bank	(1) 10-01-09	3,000,000.00	10-01-12	2.000	3,000,000.00	2.675	3,005,640.00	0.86	04-01-10
Federal Home Loan Bank	(1) 12-21-09	3,000,000.00	12-21-12	1.250	3,000,000.00	2.675	2,999,070.00	0.94	06-21-10
Federal Home Loan Bank	(1) 12-28-09	3,000,000.00	12-28-12	1.250	3,000,000.00	2.675	3,007,500.00	0.94	06-28-10
Total Securities		60,840,843.67		2.875	60,666,666.67	54.099	61,378,843.34	11.15	
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CERTIFICATE OF DEPOSITS									
FIRST NATIONAL BANK Rolled over 3-3-09	03-03-08	95,000.00	03-03-10	1.400	95,000.00	0.085		0.00	
Total Certificate of Deposits				1.400	95,000.00	0.085		0.00	
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LIQUID ACCOUNTS									

## INVESTMENT PORTFOLIO

31 JAN 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	CALL DATE
STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY				0.558	14,755,595.50	13.158		0.13	
COUNTY OF SAN MATEO - CITY OF REDWOOD CITY				0.890	28,425,246.45	25.348		0.25	
COUNTY OF SAN MATEO - PUBLIC FINANCING AUTHORITY				0.890	0.00	0.000		0.00	
COUNTY OF SAN MATEO - REDEVELOPMENT AGENCY				0.890	8,197,079.86	7.310		0.07	
Total Liquid Accounts				0.795	51,377,921.81	45.816		0.46	
SUB-TOTAL (average weighted yield)				1.919	112,139,588.48	100.00		11.61	

## CASH AND INVESTMENTS WITH FISCAL AGENTS

1997 TAX ALLOC REFUNDING BONDS - RESERVE FUND - GIC			07-15-11	6.190	0.00				
1998 CITY HALL COP - RESERVE FUND - LAIF				0.000	0.06				
1998 LEASE REVENUE REFUNDING-RESERVE FUND-US TREASURY			01-15-11	4.250	1,185,187.50	4.064			
1998 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	30,812.50	0.106			
2000A PACIFIC SHORES-RESERVE FUND-MMF				0.000	57,938.32	0.199			
2000A PACIFIC SHORES-TRAFFIC MITIGATION FUND-MMF				0.000	356,567.80	1.223			
2001A RWC TRANS IMPROVMT BONDS-FHLMC-RESERVE FUND			01-20-12	2.000	0.00				
2001A RWC TRANS IMPRVMT BONDS-ADM EXPENSE FUND-MMF				0.000	4.14				
2001A RWC TRANS IMPRVMT BONDS-RESERVE FUND-MMF				0.000	368,363.23	1.263			
2003 PFA LS REV REFDG BONDS - RESERVE FUND - FED HOM LOAN MTG			01-20-12	1.990	0.00				
2003 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	1,087,176.87	3.728			
2003A RDA TAX ALLOCATION BONDS-CONSTRU FUND-MONEY MKT				0.000	219,990.78	0.754			
2003A RDA TAX ALLOCATIONS BONDS-I&R FUND-MONEY MARKET				0.000	1,879,028.00	6.443			
2003B RWS IMPRVMT PHASE II-FHLMC-RESERVE FUND			01-20-12	2.000	0.00				
2003B RWS TRAF IMPRV PHASE II BONDS-RESERVE-MMF				0.000	378,753.59	1.299			
2005A WATER REV BONDS - INCOME AND PRINCIPAL				0.000	1,475,436.88	5.059			
2005A WATER REV BONDS - RESERVE FUND - MONEY MKT				0.000	2,185,487.80	7.494			
2006A WATER REV BONDS - INC&PRIN - MONEY MARKET				0.000	1,062,064.39	3.642			
2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET				0.000	1,588,951.66	5.448			
2006A WATER REV BONDS-FHLMC-RESERVE FUND			01-20-12	2.000	0.00				
2007 RECYCLED WATER - RESERVE FUND - GIC			02-01-35	5.450	950,950.00	3.261			
RECYCLE WATER 2007-MONEY MARKET-RESERVE FUND				0.000	77,467.22	0.266			
RECYCLE WATER PROJECT 2007A-MMF				0.000	7,220,849.67	24.760			
REDWOOD CITY WATER 2007A INSTALLMENT PAYMENT				0.000	580,925.45	1.992			
RWC 2000A PACIFIC SHORES BONDS-RESERVE FUND-USTN			10-31-11	4.625	2,056,289.46	7.051			
RWC 2005A FHLMC-RESERVE FUND			01-20-12	2.000	0.00				

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31 JAN 2010

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RWC PACIFIC SHORES PRINCIPAL 2001-1 RESERVE FUND-MMF				0.000	47,406.25	0.163			
TRAFFIC IMPACT FUND - MONEY MARKET				0.000	6,354,196.58	21.788			
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Total with Fiscal Agents					29,163,848.15	100.0			
TOTAL BOTH PORTFOLIOS					<u>141,303,436.63</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 2010:

\$60,666,666.67 securities

\$95,000.00 cds

\$51,377,921.81 liquids

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\$112,139,588.48 securities & liquid = "idle funds"

\$95,000.00 cds

\$51,377,921.81 liquids

3,004,680.00 FNMA

3,016,890.00 FHLB

3,040,320.00 FHLB

3,055,320.00 FHLB

2,041,260.00 FHLB

3,090,930.00 FHLB

2,056,260.00 FHLB

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31 JAN 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$) (2)	Average MATURITY (Months)	CALL DATE
	3,048,750.00								
	3,198,750.00								
	1,001,250.00								
	1,000,040.00								
	666,873.34								
	1,007,500.00								
	3,022,560.00								
	3,022,500.00								
	3,009,390.00								
	3,001,890.00								
	3,022,500.00								
	3,060,000.00								
	3,005,640.00								
	3,007,500.00								
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	\$104,853,725.15	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 2010 result:	Policy Requirements Based on Current Investments	Actual Investments
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	1 \$56,022,294.24	\$104,853,725.15
	2 \$56,022,294.24	\$42,073,183.34
	3 \$28,011,147.12	\$32,150,020.00