

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

July 21, 2010

## Subject

Monthly Investment Report for Period Ending June 30, 2010.

## Background

The attached investment report indicates that on June 30, 2010 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$121,786,020.40 were invested producing an average yield of 1.487%. The target Fed Funds rate for June 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 June:

Investment Type	Date purchased	Par Amount	Interest Rate	Matures
Federal Home Loan Bank	06/17/10	\$3,000,000.00	1.000 %	06/17/2013
Federal Home Loan Mortgage Corp	06/28/10	\$3,000,000.00	1.250 %	06/28/2013
Federal Home Loan Mortgage Corp	06/28/10	\$3,000,000.00	1.625 %	06/28/2013
Federal Home Loan Bank	06/28/10	\$3,000,000.00	1.000 %	06/28/2013

Securities matured or called in the month of June:


Investment Type	Date Called/ Matured	Par Amount	Interest Rate
Federal Home Loan Bank	06/04/2010	\$3,000,000.00	2.00 %
Federal Home Loan Mortgage Corp.	06/11/2010	\$3,000,000.00	2.00 %
Federal Home Loan Bank	06/11/2010	\$3,000,000.00	5.25 %
Federal Home Loan Bank	06/14/2010	\$3,000,000.00	2.00 %
Federal Farm Credit Bank	06/14/2010	\$2,000,000.00	1.40 %
Federal Home Loan Bank	06/21/2010	\$3,000,000.00	1.25 %
Federal Home Loan Bank	06/24/2010	\$3,000,000.00	1.55 %
Federal Home Loan Bank	06/28/2010	\$3,000,000.00	1.25 %
Federal Home Loan Mortgage Corp.	06/29/2010	\$3,000,000.00	2.45 %

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)	\$60,845,510.20	\$119,174,600.40
With maturity greater than one year (max)	\$60,845,510.20	\$39,320,480.00
With maturity greater than two year (max)	\$30,422,755.10	\$35,168,610.00

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

As of June 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 JUN 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 National Mortgage Assoc.	07-01-08	3,000,000.00	07-01-10	4.250	3,000,000.00	2.463	3,000,000.00	0.00	07-01-10
Federal National Mortgage Assoc.	07-06-09	3,000,000.00	07-06-10	2.375	3,000,000.00	2.463	3,000,930.00	0.00	07-06-10
Federal National Mortgage Assoc.	04-16-10	3,000,000.00	07-16-10	1.500	3,000,000.00	2.463	3,000,930.00	0.00	07-16-10
Federal National Mortgage Assoc.	01-19-10	3,000,000.00	07-19-10	1.000	3,000,000.00	2.463	3,000,000.00	0.00	07-19-10
Federal Home Loan Bank	08-28-07	1,963,680.00	08-13-10	4.790	2,000,000.00	1.642	2,009,380.00	0.02	
Federal Home Loan Bank	09-26-07	3,050,190.00	09-10-10	4.513	3,000,000.00	2.463	3,030,000.00	0.05	
Federal Home Loan Bank	10-10-07	1,989,260.00	10-22-10	4.567	2,000,000.00	1.642	2,025,000.00	0.05	
Federal Home Loan Mortgage Corp.	(1) 12-09-08	3,209,580.00	07-18-11	2.467	3,000,000.00	2.463	3,150,930.00	0.30	
Federal National Mortgage Assoc.	(1) 01-27-09	999,000.00	01-27-12	2.030	1,000,000.00	0.821	1,000,940.00	0.16	07-27-10
Federal National Mortgage Assoc.	(1) 10-27-09	3,000,000.00	07-27-12	1.700	3,000,000.00	2.463	3,010,320.00	0.62	10-27-10
Federal National Mortgage Assoc.	(1) 02-16-10	2,000,000.00	08-16-12	1.500	2,000,000.00	1.642	2,002,500.00	0.41	08-16-10
Federal Home Loan Bank	(1) 08-24-09	3,000,000.00	08-24-12	2.150	3,000,000.00	2.463	3,007,500.00	0.64	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	2.463	3,084,390.00	0.67	
Federal Home Loan Bank	(1) 02-25-10	3,000,000.00	02-25-13	1.875	3,000,000.00	2.463	3,005,640.00	0.79	08-25-10
Federal Home Loan Bank	(1) 03-25-10	3,000,000.00	03-25-13	1.125	3,000,000.00	2.463	3,004,680.00	0.81	06-25-10
Federal National Mortgage Assoc.	(1) 04-12-10	3,000,000.00	04-08-13	1.249	3,000,000.00	2.463	3,014,070.00	0.81	04-08-11
Federal Home Loan Bank	(1) 05-24-10	3,000,000.00	05-24-13	1.375	3,000,000.00	2.463	3,000,930.00	0.86	08-24-10
Federal Home Loan Bank	(1) 06-17-10	3,000,000.00	06-17-13	1.000	3,000,000.00	2.463	3,000,930.00	0.89	03-17-11
Federal Home Loan Bank	(1) 06-28-10	3,000,000.00	06-28-13	1.000	3,000,000.00	2.463	2,998,140.00	0.89	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	2.463	3,009,420.00	0.89	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	2.463	3,030,090.00	0.89	06-28-11
Total Securities		58,260,130.00		2.076	58,000,000.00	47.625	58,386,720.00	9.72	
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CERTIFICATE OF DEPOSITS									
FIRST NATIONAL BANK	03-03-10	95,000.00	03-03-11	0.650	95,000.00	0.078		0.01	
Total Certificate of Deposits				0.650	95,000.00	0.078		0.01	
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LIQUID ACCOUNTS									
STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY				0.528	32,697,799.76	26.849		0.27	
COUNTY OF SAN MATEO - CITY OF REDWOOD CITY				1.420	22,298,398.90	18.309		0.18	
COUNTY OF SAN MATEO - REDEVELOPMENT AGENCY				1.420	8,694,821.74	7.139		0.07	

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

30 JUN 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
Total Liquid Accounts				0.962	63,691,020.40	52.297		0.52	
SUB-TOTAL				(average weighted yield) 1.487	121,786,020.40	100.00		10.25	

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	4.250	1,185,187.50	4.807			
1998 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	30,812.50	0.125			
2000A PACIFIC SHORES-RESERVE FUND-MMF				0.000	57,938.32	0.235			
2000A PACIFIC SHORES-TRAFFIC MITIGATION FUND-MMF				0.000	567.80	0.002			
2001A RWC TRANS IMPROVMT BONDS-FHLMC-RESERVE FUND			01-20-12	1.450	350,000.00	1.420			
2001A RWC TRANS IMPRVMT BONDS-ADM EXPENSE FUND-MMF				0.000	4.14				
2001A RWC TRANS IMPRVMT BONDS-RESERVE FUND-MMF				0.000	18,363.23	0.074			
2003 PFA LS REV REFDG BONDS - RESERVE FUND - FED HOM LOAN MTG			01-20-12	2.020	1,075,000.00	4.360			
2003 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	13,218.54	0.054			
2003A RDA TAX ALLOCATION BONDS-CONSTRUCTION FUND MMF				0.000	219,990.78	0.892			
2003A RDA TAX ALLOCATION BONDS-MMF				0.000	326,952.62	1.326			
2003A RDA TAX ALLOCATIONS BONDS -I7R FUND-MMF				0.000	1,225,122.76	4.969			
2003B IMPRV PHASE 2 FHLMC-RESERVE FUND-MMF			01-20-12	1.450	360,000.00	1.460			
2003B RWS TRAF IMPRV PHASE II BONDS-RESERVE-MMF				0.000	18,753.59	0.076			
2005A WATER REVENUE BONDS-RESERVE FUND -MMF				0.000	675.38	0.003			
2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET				0.000	514.16	0.002			
2006A WATER REV BONDS-FHLMC-RESERVE FUND			04-15-13	2.080	1,500,000.00	6.084			
2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT			02-01-35	5.451	950,950.00	3.857			
RECYCLE WATER 2007 RESERVE FUND -MMF				0.000	630.16	0.003			
RECYCLE WATER PROJECT 2007A-MMF				0.000	208.53	0.001			
REDWOOD CITY PFA WATER 06A STATE BANK OF INDIA-CD			07-19-10	0.300	90,000.00	0.365			
RWC 2000A PACIFIC SHORES BONDS-RESERVE FUND-USTN			10-31-11	4.625	2,056,289.46	8.341			
RWC 2002A IMP FD PROJ TRF MITIG-CD			12-23-10	0.150	116,000.00	0.471			
RWC 2002A IMP FD PROJ TRF MITIG-CD			12-23-10	0.300	240,000.00	0.973			
RWC 2005A FHLMC-RESERVE FUND			04-15-13	2.080	2,100,000.00	8.518			
RWC 2005A STATE BANK OF INDIA-CD			07-19-20	0.300	87,000.00	0.353			
RWC PACIFIC SHORES PRINCIPAL 2001-1 RESERVE FUND-MMF				0.000	47,406.25	0.192			
RWC PFA WATER 2007A RESERVE FUND-FHL			07-30-12	1.440	25,000.00	0.101			
TRAFFIC IMPACT FUND - MONEY MARKET				0.000	960.17	0.004			

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

30 JUN 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
2003A TAX ALLOCATION BONDS/TRAFFIC IMPACT FUND-LAIF				0.560	6,313,000.00	25.607			
2007 WATER REV BONDS - LAIF				0.560	6,243,000.00	25.323			
Total with Fiscal Agents					24,653,545.95	100.0			
TOTAL BOTH PORTFOLIOS					<u>146,439,566.35</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 JUN 2010:

\$58,000,000.00	securities
\$95,000.00	cds
\$63,691,020.40	liquids
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\$121,786,020.40	securities & liquid = "idle funds"
\$95,000.00	cds
\$63,691,020.40	liquids
3,000,000.00	FNMA
3,000,930.00	FNMA
3,000,930.00	FNMA
3,000,000.00	FNMA
2,009,380.00	FHLB
3,030,000.00	FHLB
2,025,000.00	FHLB

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

30 JUN 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
3,150,930.00									
FHLMC									
1,000,940.00									
FNMA									
3,010,320.00									
FNMA									
2,002,500.00									
FNMA									
3,007,500.00									
FHLB									
3,084,390.00									
FHLMC									
3,005,640.00									
FHLB									
3,004,680.00									
FHLB									
3,014,070.00									
FNMA									
3,000,930.00									
FHLB									
3,000,930.00									
FHLB									
3,009,420.00									
FHLMC									
3,030,090.00									
FHLMC									
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\$119,174,600.40	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)

30 JUN 2010 result:	Policy Requirements Based on Current Investments	Actual Investments
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1	\$60,845,510.20	\$119,174,600.40
2	\$60,845,510.20	\$39,320,480.00
3	\$30,422,755.10	\$35,168,610.00