

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

March 9, 2010

## Subject

Monthly Investment Report for Period Ending February 28, 2010.

## Background

The attached investment report indicates that on February 28, 2010 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$106,318,548.71 were invested producing an average yield of 1.916%. The target Fed Funds rate for February 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 February:

Investment Type	Date purchased	Par Amount	Interest Rate	Matures
Fannie Mae	02/16/2010	\$2,000,000.00	1.500%	08/16/2012
Federal Home Loan Bank	02/24/2010	\$3,000,000.00	1.550%	08/24/2012
Federal Home Loan Bank	02/24/2010	\$2,000,000.00	1.700%	08/24/2012
Federal Home Loan Bank	02/25/2010	\$3,000,000.00	1.875%	02/25/2013
Federal Home Loan Bank	02/25/2010	\$3,000,000.00	1.000%	02/25/2013

Securities matured or called in the month of February:

Investment Type	Date Called/ Matured	Par Amount	Interest Rate
Federal National Mortgage Assoc.	02/03/2010	\$1,000,000.00	1.320%
Fannie Mae	02/16/2010	\$3,000,000.00	3.875%
Federal Home Loan Bank	02/17/2010	\$3,000,000.00	2.000%

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.

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

As of February 28, the City has sufficient liquid resources available to meet expenditure requirements for the next six months.



Brian J. Ponty  
Director of Finance



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  
28 FEB 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 Home Loan Bank	12-09-09	666,666.67	03-09-10	1.825	666,666.67	0.627	666,666.67	0.00	03-09-10
Federal Home Loan Bank	03-13-07	3,015,360.00	03-12-10	4.810	3,000,000.00	2.822	3,004,680.00	0.00	
Federal Home Loan Bank	05-23-07	2,990,565.00	05-14-10	4.990	3,000,000.00	2.822	3,029,070.00	0.06	
Federal Home Loan Bank	06-05-07	3,004,932.00	06-11-10	5.190	3,000,000.00	2.822	3,042,180.00	0.08	
Federal Home Loan Bank	08-28-07	1,963,680.00	08-13-10	4.790	2,000,000.00	1.881	2,035,620.00	0.09	
Federal Home Loan Bank	09-26-07	3,050,190.00	09-10-10	4.513	3,000,000.00	2.822	3,080,640.00	0.17	
Federal Home Loan Bank	10-10-07	1,989,260.00	10-22-10	4.567	2,000,000.00	1.881	2,050,620.00	0.13	
Federal National Mortgage Assoc.	(1) 07-01-08	3,000,000.00	07-01-11	4.250	3,000,000.00	2.822	3,038,430.00	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	2.822	3,193,140.00	0.45	
Federal National Mortgage Assoc.	(1) 10-28-09	1,000,000.00	10-28-11	1.200	1,000,000.00	0.941	1,001,250.00	0.19	04-28-10
Federal National Mortgage Assoc.	(1) 01-27-09	999,000.00	01-27-12	2.030	1,000,000.00	0.941	1,006,250.00	0.22	07-27-10
Fed Farm Credit	(1) 12-22-09	2,000,000.00	05-22-12	1.400	2,000,000.00	1.881	1,999,900.00	0.51	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	2.822	3,018,690.00	0.79	06-29-10
Federal National Mortgage Assoc.	(1) 07-06-09	3,000,000.00	07-06-12	2.375	3,000,000.00	2.822	3,020,640.00	0.79	07-06-10
Federal National Mortgage Assoc.	(1) 01-19-10	3,000,000.00	07-19-12	1.000	3,000,000.00	2.822	3,002,820.00	0.82	07-19-10
Federal National Mortgage Assoc.	(1) 10-27-09	3,000,000.00	07-27-12	1.700	3,000,000.00	2.822	3,016,890.00	0.82	10-27-10
Federal National Mortgage Assoc.	(1) 02-16-10	2,000,000.00	08-16-12	1.500	2,000,000.00	1.881	2,003,760.00	0.56	08-16-10
Federal Home Loan Bank	(1) 08-24-09	3,000,000.00	08-24-12	2.150	3,000,000.00	2.822	3,021,570.00	0.85	08-24-10
Federal Home Loan Bank	(1) 02-24-10	2,000,000.00	08-24-12	1.700	2,000,000.00	1.881	2,001,880.00	0.56	03-24-10
Federal Home Loan Bank	(1) 02-24-10	3,000,000.00	08-24-12	1.550	3,000,000.00	2.822	3,001,890.00	0.85	03-24-10
Federal Home Loan Mortgage Corp.	(1) 10-07-09	3,048,420.00	09-21-12	1.563	3,000,000.00	2.822	3,060,930.00	0.87	
Federal Home Loan Bank	(1) 10-01-09	3,000,000.00	10-01-12	2.000	3,000,000.00	2.822	3,003,750.00	0.87	04-01-10
Federal Home Loan Bank	(1) 12-21-09	3,000,000.00	12-21-12	1.250	3,000,000.00	2.822	3,004,680.00	0.96	06-21-10
Federal Home Loan Bank	(1) 12-28-09	3,000,000.00	12-28-12	1.250	3,000,000.00	2.822	3,007,500.00	0.96	06-28-10
Federal Home Loan Bank	(1) 02-25-10	3,000,000.00	02-25-13	1.000	3,000,000.00	2.822	2,999,070.00	1.02	05-25-10
Federal Home Loan Bank	(1) 02-25-10	3,000,000.00	02-25-13	1.875	3,000,000.00	2.822	3,009,390.00	1.02	08-25-10
Total Securities		66,937,653.67		2.582	66,666,666.67	62.705	67,321,906.67	14.09	

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	0.089	0.00	
Total Certificate of Deposits					1.400	95,000.00	0.089	0.00	

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

28 FEB 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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LIQUID ACCOUNTS									
STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY				0.577	10,090,595.50	9.491		0.09	
COUNTY OF SAN MATEO - CITY OF REDWOOD CITY				0.890	22,847,856.21	21.490		0.21	
COUNTY OF SAN MATEO - REDEVELOPMENT AGENCY				0.890	6,618,430.33	6.225		0.06	
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Total Liquid Accounts				0.810	39,556,882.04	37.206		0.37	
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SUB-TOTAL		(average weighted yield)		1.916	106,318,548.71	100.00		14.46	
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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	4.520			
1998 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	30,812.50	0.118			
2000A PACIFIC SHORES-RESERVE FUND-MMF				0.000	57,938.32	0.221			
2000A PACIFIC SHORES-TRAFFIC MITIGATION FUND-MMF				0.000	356,567.80	1.360			
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	1.405			
2001A RWS TRANS IMPRVMT BONDS-INTEREST FUND				0.000	117,005.00	0.446			
2003 PFA LS REV REFDG BONDS - RESERVE FUND - FED HOM LOAN MTG			01-20-12	1.250	1,000,000.00	3.814			
2003 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	87,176.87	0.332			
2003A RDA TAX ALLOCATION BONDS-CONSTRUCTION FUND MMF				0.000	219,990.78	0.839			
2003A RDA TAX ALLOCATION BONDS-MMF				0.000	326,830.24	1.247			
2003A RDA TAX ALLOCATIONS BONDS -I7R FUND-MMF				0.000	1,225,245.14	4.673			
2003B RWS TRAF IMPRV PHASE II BONDS-RESERVE-MMF				0.000	378,753.59	1.445			
2003B RWS TRANS IMPRVMT BONDS-INTEREST FUND				0.000	204,603.13	0.780			
2005A WATER REVENUE BONDS-RESERVE FUND -MMF				0.000	85,487.82	0.326			
2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET				0.000	88,951.66	0.339			
2006A WATER REV BONDS-FHLMC-RESERVE FUND			01-20-12	1.250	1,500,000.00	5.721			
2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT			02-01-35	5.451	950,950.00	3.627			
RECYCLE WATER 2007 RESERVE FUND -MMF				0.000	25,630.16	0.098			
RECYCLE WATER PROJECT 2007A-MMF				0.000	7,170,380.76	27.348			
RWC 2000A PACIFIC SHORES BONDS-RESERVE FUND-USTN			10-31-11	4.625	2,056,289.46	7.843			
RWC 2005A FHLMC-RESERVE FUND			01-20-12	1.250	2,100,000.00	8.009			

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RWC PACIFIC SHORES 2000A BOND FUND-SPECIAL TAX				0.000	281,691.25	1.074			
RWC PACIFIC SHORES PRINCIPAL 2001-1 RESERVE FUND-MMF				0.000	47,406.25	0.181			
TRAFFIC IMPACT FUND - MONEY MARKET				0.000	6,354,196.84	24.235			
Total with Fiscal Agents					26,219,462.50	100.0			
TOTAL BOTH PORTFOLIOS					<u>132,538,011.21</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 28 FEB 2010:

\$66,666,666.67	securities
\$95,000.00	cds
\$39,556,882.04	liquids
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\$106,318,548.71	securities & liquid = "idle funds"
\$95,000.00	cds
\$39,556,882.04	liquids
666,666.67	FHLB
3,004,680.00	FHLB
3,029,070.00	FHLB
3,042,180.00	FHLB
2,035,620.00	FHLB
3,080,640.00	FHLB

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

28 FEB 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	CALL DATE
	2,050,620.00	FHLB							
	3,038,430.00	FNMA							
	3,193,140.00	FHLMC							
	1,001,250.00	FNMA							
	1,006,250.00	FNMA							
	3,018,690.00	FHLMC							
	3,020,640.00	FNMA							
	3,002,820.00	FNMA							
	3,016,890.00	FNMA							
	2,003,760.00	FNMA							
	3,021,570.00	FHLB							
	2,001,880.00	FHLB							
	3,001,890.00	FHLB							
	3,060,930.00	FHLMC							
	3,003,750.00	FHLB							
	3,004,680.00	FHLB							
	3,007,500.00	FHLB							
	3,009,390.00	FHLB							

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 \$101,974,818.71 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)

28 FEB 2010 result:	Policy Requirements Based on Current Investments	Actual Investments
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	1 \$53,111,774.36	\$101,974,818.71
	2 \$53,111,774.36	\$50,412,430.00
	3 \$26,555,887.18	\$42,173,360.00