

REPORT

To the Honorable Mayor and City Council
From the City Manager

January 19, 2011

Subject

Monthly Investment Report for Period Ending December 31, 2010.

Background

The attached investment report indicates that on December 31, 2010 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$121,487,879.48 were invested producing an average yield of 0.89%. The target Fed Funds rate for December 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).

No securities were purchased in December.

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

Investment Type	Date	Par Amount	Interest Rate
Federal Home Loan Mortgage Corp.	12/14/2010	\$3,000,000.00	2.125 %
Federal Home Loan Mortgage Corp.	12/14/2010	\$3,000,000.00	1.624 %
Federal Home Loan Bank	12/14/2010	\$3,000,000.00	1.400 %
Fannie Mae	12/14/2010	\$3,000,000.00	1.247 %
Federal Home Loan Bank	12/14/2010	\$3,000,000.00	0.999 %
Federal Home Loan Bank	12/14/2010	\$3,000,000.00	0.999 %
Federal Home Loan Mortgage Corp.	12/28/2010	\$3,000,000.00	1.250 %

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)	\$ 60,602,939.74	\$ 68,572,479.48
With maturity greater than one year (max)	\$ 60,602,939.74	\$ 63,312,998.00
With maturity greater than two year (max)	\$ 30,301,469.87	\$ 60,323,798.00

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

As of December 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 DEC 2010

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

US AGENCIES, SECURITIES, AND CORPORATE NOTES									
Federal National Mortgage Assoc.	07-19-10	3,000,000.00	01-19-11	1.125	3,000,000.00	2.469	3,000,360.00	0.00	01-19-11
Federal Home Loan Mortgage Corp.	12-09-08	3,209,580.00	07-18-11	2.467	3,000,000.00	2.469	3,080,580.00	0.15	
Federal Home Loan Bank	(1) 11-23-10	3,000,000.00	08-23-12	0.500	3,000,000.00	2.469	2,989,200.00	0.49	02-23-11
Federal Home Loan Mortgage Corp.	(1) 10-29-10	3,000,000.00	04-29-13	0.700	3,000,000.00	2.469	2,981,610.00	0.69	04-29-11
Federal National Mortgage Assoc.	(1) 09-27-10	3,000,000.00	06-27-13	1.000	3,000,000.00	2.469	2,995,410.00	0.74	09-27-11
Federal Home Loan Mortgage Corp.	(1) 07-26-10	3,000,000.00	07-26-13	1.400	3,000,000.00	2.469	3,001,350.00	0.77	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	1.235	1,500,210.00	0.38	01-26-11
Federal Home Loan Bank	(1) 11-01-10	3,000,000.00	08-01-13	0.750	3,000,000.00	2.469	2,974,020.00	0.77	02-01-11
Federal National Mortgage Assoc.	(1) 08-02-10	3,000,000.00	08-02-13	0.750	3,000,000.00	2.469	3,000,150.00	0.77	02-02-11
Federal National Mortgage Assoc.	(1) 08-09-10	3,000,000.00	08-09-13	1.300	3,000,000.00	2.469	3,001,950.00	0.77	02-09-11
Federal National Mortgage Assoc.	(1) 08-19-10	3,000,000.00	08-19-13	1.250	3,000,000.00	2.469	2,998,740.00	0.79	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	2.469	2,993,520.00	0.79	02-23-11
Federal Home Loan Bank	(1) 08-30-10	2,000,000.00	08-28-13	0.600	2,000,000.00	1.646	1,999,778.00	0.53	02-28-11
Federal Home Loan Bank	(1) 08-30-10	3,000,000.00	08-28-13	0.500	3,000,000.00	2.469	2,998,950.00	0.79	02-28-11
Federal Home Loan Bank	(1) 09-03-10	3,000,000.00	09-03-13	1.050	3,000,000.00	2.469	2,992,380.00	0.79	12-03-10
Fed Farm Credit	(1) 09-09-10	3,000,000.00	09-09-13	1.040	3,000,000.00	2.469	2,990,640.00	0.79	03-09-11
Federal Home Loan Bank	(1) 09-09-10	3,000,000.00	09-09-13	1.000	3,000,000.00	2.469	2,993,490.00	0.79	09-09-11
Federal National Mortgage Assoc.	(1) 09-17-10	3,000,000.00	09-17-13	1.125	3,000,000.00	2.469	2,993,070.00	0.81	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	2.469	2,990,070.00	0.81	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	2.469	2,990,070.00	0.81	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	2.469	2,996,370.00	0.81	03-30-11
Federal Home Loan Bank	(1) 10-28-10	3,000,000.00	10-28-13	0.875	3,000,000.00	2.469	2,967,540.00	0.84	01-28-11
Fed Farm Credit	(1) 11-12-10	3,000,000.00	11-12-13	0.790	3,000,000.00	2.469	2,995,830.00	0.84	05-12-10
Federal National Mortgage Assoc.	(1) 11-26-10	3,000,000.00	11-26-13	1.000	3,000,000.00	2.469	2,968,650.00	0.86	05-26-11
Total Securities		69,709,580.00		1.036	69,500,000.00	57.207	69,393,938.00	16.59	
CERTIFICATE OF DEPOSITS									
METLIFE BANK	10-20-10	187,000.00	01-20-11	0.200	187,000.00	0.154		0.00	
FIRST NATIONAL BANK	03-03-10	95,000.00	03-03-11	0.650	95,000.00	0.078		0.00	
Total Certificate of Deposits				0.352	282,000.00	0.232		0.00	

LIQUID ACCOUNTS									

INVESTMENT PORTFOLIO

31 DEC 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY				0.462	24,580,110.66	20.233		0.20	
COUNTY OF SAN MATEO - CITY OF REDWOOD CITY				0.930	21,103,074.14	17.371		0.17	
COUNTY OF SAN MATEO - REDEVELOPMENT AGENCY				0.930	6,022,694.68	4.957		0.05	
Total Liquid Accounts				0.708	51,705,879.48	42.561		0.43	
SUB-TOTAL (average weighted yield)				0.890	121,487,879.48	100.00		17.02	
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	5.917			
1998 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.100	25,506.93	0.127			
2000A PACIFIC SHORES BONDS-SPECIAL TAX FUND				0.000	5.09				
2000A PACIFIC SHORES-RESERVE FUND-MMF				0.100	57,954.03	0.289			
2000A PACIFIC SHORES-TRAFFIC MITIGATION FUND-MMF				0.000	1,016.03	0.005			
2001A RWC TRANS IMPROVMT - CITIBANK CD			08-26-13	1.000	182,000.00	0.909			
2001A RWC TRANS IMPROVMT - MEDALLION BANK CD			09-03-13	1.250	182,000.00	0.909			
2001A RWC TRANS IMPRVMT BONDS-ADM EXPENSE FUND-MMF				0.000	4.14				
2001A RWC TRANS IMPRVMT BONDS-RESERVE FUND-MMF				0.000	6,199.18	0.031			
2003 PFA LS REV REFDG BONDS - RESERVE FUND - FED HOM LOAN MTG			01-20-12	2.040	1,075,000.00	5.367			
2003 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	18,727.92	0.094			
2003A RDA TAX ALLOCATION BONDS-CONSTRUCTION FUND MMF				0.000	219,990.78	1.098			
2003A RDA TAX ALLOCATION BONDS-I&R FUND-MMF				0.000	0.38				
2003B IMPRV PHASE 2 - SYNOVUS BANK CD			03-02-12	0.006	187,000.00	0.934			
2003B IMPRV PHASE2 - GE MONEY CD			08-27-13	0.015	150,000.00	0.749			
2003B RWS TRAF IMPRV PHASE II BONDS-RESERVE-MMF				0.000	58.59				
2005A WATER REVENUE BONDS-RESERVE FUND -MMF				0.000	22,747.56	0.114			
2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET				0.000	16,287.09	0.081			
2006A WATER REV BONDS-FHLMC-RESERVE FUND			10-18-13	0.850	1,500,000.00	7.489			
2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT			02-01-35	5.451	950,950.00	4.747			
CD - ISRAEL DISCOUNT BANK OF NY			01-21-11	0.200	51,000.00	0.255			
CD-METLIFE BANK			01-12-11	0.200	43,000.00	0.215			
RECYCLE WATER 2007 RESERVE FUND -MMF				0.000	782.92	0.004			
RECYCLE WATER PROJECT 2007A-MMF				0.000	924.30	0.005			
RWC 05A RESERVE BANK OF INDIA->GE MONEY BANK			07-23-13	1.750	87,000.00	0.434			

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

31 DEC 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
RWC 06A RESERVE BANK OF INDIA->ALLY BANK - CD			07-23-13	1.800	90,000.00	0.449			
RWC 2000A PACIFIC SHORES BONDS-RESERVE FUND-USTN			10-31-11	4.400	2,056,289.46	10.266			
RWC 2005A FHLMC-RESERVE FUND			10-18-13	0.850	2,100,000.00	10.484			
RWC PACIFIC SHORES PRINCIPAL 2001-1 RESERVE FUND-MMF				0.100	47,407.29	0.237			
TRAFFIC IMPACT FUND - MONEY MARKET				0.000	960.17	0.005			
2003A TAX ALLOCATION BONDS/TRAFFIC IMPACT FUND-LAIF				0.560	6,324,718.23	31.575			
2007 WATER REV BONDS - LAIF				0.560	3,447,984.26	17.214			
Total with Fiscal Agents					20,030,701.91	100.0			
TOTAL BOTH PORTFOLIOS					<u>141,518,581.39</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 DEC 2010:

- \$69,500,000.00 securities
- \$282,000.00 cds
- \$51,705,879.48 liquids
-
- \$121,487,879.48 securities & liquid = "idle funds"
-
- \$282,000.00 cds
- \$51,705,879.48 liquids
- 3,000,360.00 FNMA
- 3,080,580.00 FHLMC

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

31 DEC 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
	3,001,350.00	FHLMC							
	1,500,210.00	FHLMC							
	3,000,150.00	FNMA							
	3,001,950.00	FNMA							

	\$68,572,479.48	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 DEC 2010 result:	Policy Requirements Based on Current Investments	Actual Investments
	1 \$60,602,939.74	\$68,572,479.48
	2 \$60,602,939.74	\$63,312,998.00
	3 \$30,301,469.87	\$60,323,798.00