

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

November 15, 2010

## Subject

Monthly Investment Report for Period Ending October 31, 2010.

## Background

The attached investment report indicates that on October 31, 2010 surplus funds (excluding cash with fiscal agents) from all sources in the amount of \$106,109,420.85 were invested producing an average yield of 1.055%. The target Fed Funds rate for October 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 October:

Investment Type	Date purchased	Par Amount	Interest Rate	Matures
Federal Home Loan Bank	10/28/2010	\$3,000,000.00	0.875 %	10/28/2013
Federal Home Loan Mortgage Corp	10/29/2010	\$3,000,000.00	0.700 %	04/29/2013
Certificate of Deposit	10/19/2010	\$ 187,000.00	0.200 %	01/20/2011

Securities matured or called in the month of October:

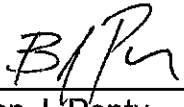
Investment Type	Date Called/ Matured	Par Amount	Interest Rate
Federal Home Loan Mortgage Corp	10/08/2010	\$3,000,000.00	1.550 %
Federal Home Loan Bank	10/14/2010	\$3,000,000.00	1.125 %
Federal Home Loan Bank	10/18/2010	\$3,000,000.00	1.450 %
Federal Home Loan Bank	10/20/2010	\$1,000,000.00	0.800 %
Federal Home Loan Bank	10/22/2010	\$2,000,000.00	4.375 %
Fannie Mae	10/27/2010	\$3,000,000.00	1.700 %
Federal Home Loan Bank	10/29/2010	\$1,500,000.00	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)	\$52,913,710.43	\$103,481,905.85
With maturity greater than one year (max)	\$52,913,710.43	\$75,765,735.00
With maturity greater than two year (max)	\$26,456,855.21	\$72,667,165.00

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

As of October 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 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 OCT 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.	12-09-08	3,209,580.00	07-18-11	2.467	3,000,000.00	2.827	3,107,820.00	0.23	
Federal Home Loan Mortgage Corp.	(1) 10-07-09	3,048,420.00	09-21-12	1.563	3,000,000.00	2.827	3,096,570.00	0.65	
Federal National Mortgage Assoc.	(1) 04-12-10	3,000,000.00	04-08-13	1.249	3,000,000.00	2.827	3,009,390.00	0.82	04-08-11
Federal Home Loan Mortgage Corp.	(1) 10-29-10	3,000,000.00	04-29-13	0.700	3,000,000.00	2.827	3,001,380.00	0.85	04-29-11
Federal Home Loan Bank	(1) 06-17-10	3,000,000.00	06-17-13	1.000	3,000,000.00	2.827	3,002,820.00	0.90	03-17-11
Federal National Mortgage Assoc.	(1) 09-27-10	3,000,000.00	06-27-13	1.000	3,000,000.00	2.827	3,012,180.00	0.90	09-27-11
Federal Home Loan Bank	(1) 06-28-10	3,000,000.00	06-28-13	1.000	3,000,000.00	2.827	3,007,500.00	0.90	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	2.827	3,003,390.00	0.90	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	2.827	3,024,060.00	0.90	06-28-11
Federal Home Loan Bank	(1) 07-12-10	3,000,000.00	07-12-13	1.400	3,000,000.00	2.827	3,028,140.00	0.90	01-12-12
Federal National Mortgage Assoc.	(1) 07-19-10	3,000,000.00	07-19-13	1.125	3,000,000.00	2.827	3,001,890.00	0.93	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	2.827	3,005,580.00	0.93	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	1.414	1,500,945.00	0.47	01-26-11
Federal National Mortgage Assoc.	(1) 08-02-10	3,000,000.00	08-02-13	0.750	3,000,000.00	2.827	3,000,930.00	0.93	02-02-11
Federal National Mortgage Assoc.	(1) 08-09-10	3,000,000.00	08-09-13	1.300	3,000,000.00	2.827	3,005,640.00	0.93	02-09-11
Federal National Mortgage Assoc.	(1) 08-19-10	3,000,000.00	08-19-13	1.250	3,000,000.00	2.827	3,014,070.00	0.96	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	2.827	3,005,100.00	0.96	02-23-11
Federal Home Loan Bank	(1) 08-30-10	2,000,000.00	08-28-13	0.600	2,000,000.00	1.885	2,000,020.00	0.64	02-28-11
Federal Home Loan Bank	(1) 08-30-10	3,000,000.00	08-28-13	0.500	3,000,000.00	2.827	3,000,000.00	0.96	02-28-11
Federal Home Loan Bank	(1) 09-03-10	3,000,000.00	09-03-13	1.050	3,000,000.00	2.827	3,001,890.00	0.96	12-03-10
Fed Farm Credit	(1) 09-09-10	3,000,000.00	09-09-13	1.040	3,000,000.00	2.827	3,005,640.00	0.96	03-09-11
Federal Home Loan Bank	(1) 09-09-10	3,000,000.00	09-09-13	1.000	3,000,000.00	2.827	3,015,000.00	0.96	09-09-11
Federal National Mortgage Assoc.	(1) 09-17-10	3,000,000.00	09-17-13	1.125	3,000,000.00	2.827	3,006,570.00	0.99	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	2.827	3,006,570.00	0.99	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	2.827	3,006,570.00	0.99	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	2.827	2,999,070.00	0.99	03-30-11
Federal Home Loan Bank	(1) 10-28-10	3,000,000.00	10-28-13	0.875	3,000,000.00	2.827	3,002,820.00	1.02	01-28-11
Total Securities		78,758,000.00		1.149	78,500,000.00	73.980	78,871,555.00	23.56	

CERTIFICATE OF DEPOSITS

METLIFE BANK	10-20-10	187,000.00	01-20-11	0.200	187,000.00	0.176		0.00	
FIRST NATIONAL BANK	03-03-10	95,000.00	03-03-11	0.650	95,000.00	0.090		0.00	

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

31 OCT 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
Total Certificate of Deposits				0.352	282,000.00	0.266		0.01	
LIQUID ACCOUNTS									
STATE OF CALIFORNIA LAIF - CITY OF REDWOOD CITY				0.480	13,349,110.66	12.581		0.13	
COUNTY OF SAN MATEO - CITY OF REDWOOD CITY				1.130	6,998,624.18	6.596		0.07	
COUNTY OF SAN MATEO - REDEVELOPMENT AGENCY				1.130	6,979,686.01	6.578		0.07	
Total Liquid Accounts				0.812	27,327,420.85	25.754		0.26	
SUB-TOTAL				(average weighted yield)	1.055	106,109,420.85	100.00	23.82	
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	5.527		
1998 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.100	25,502.66	0.119			
2000A PACIFIC SHORES BONDS-SPECIAL TAX FUND				0.000	5.09				
2000A PACIFIC SHORES-RESERVE FUND-MMF				0.100	57,944.35	0.270			
2000A PACIFIC SHORES-TRAFFIC MITIGATION FUND-MMF				0.000	567.80	0.003			
2001A RWC TRANS IMPROVMT - CITIBANK CD				08-26-13	1.000	182,000.00	0.849		
2001A RWC TRANS IMPROVMT - MEDALLION BANK CD				09-03-13	1.250	182,186.99	0.850		
2001A RWC TRANS IMPRVMT BONDS-ADM EXPENSE FUND-MMF				0.000	4.14				
2001A RWC TRANS IMPRVMT BONDS-RESERVE FUND-MMF				0.000	5,631.98	0.026			
2003 PFA LS REV REFDG BONDS - RESERVE FUND - FED HOM LOAN MTG				01-20-12	2.020	1,075,000.00	5.013		
2003 PFA LS REV REFDG BONDS-RESERVE FUND-MMF				0.000	18,727.92	0.087			
2003A RDA TAX ALLOCATION BONDS-CONSTRUCTION FUND MMF				0.000	219,990.78	1.026			
2003A RDA TAX ALLOCATIONS BONDS -I7R FUND-MMF				0.000	0.38				
2003B IMPRV PHASE 2 - SYNOVUS BANK CD				03-02-12	0.006	187,000.00	0.872		
2003B IMPRV PHASE2 - GE MONEY CD				08-27-13	0.015	150,000.00	0.699		
2003B RWS TRAF IMPRV PHASE II BONDS-RESERVE-MMF				0.000	58.59				
2005A WATER REVENUE BONDS-RESERVE FUND -MMF				0.000	22,747.55	0.106			
2006A WATER REV BONDS - RESERVE FUND - MONEY MARKET				0.000	16,287.09	0.076			
2006A WATER REV BONDS-FHLMC-RESERVE FUND				10-18-13	0.850	1,500,000.00	6.995		
2007 RECYCLED WATER-RESERVE FUND-FSA CAPITAL MANAGEMENT				02-01-35	5.451	950,950.00	4.434		
CD - ISRAEL DISCOUNT BANK OF NY				01-21-11	0.200	51,000.00	0.238		
CD-METLIFE BANK				01-12-11	0.200	43,000.00	0.201		

I N V E S T M E N T P O R T F O L I O  
31 OCT 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
RECYCLE WATER 2007 RESERVE FUND -MMF				0.000	782.92	0.004			
RECYCLE WATER PROJECT 2007A-MMF				0.000	21.88				
RWC 05A RESERVE BANK OF INDIA->GE MONEY BANK			07-23-13	1.750	87,000.00	0.406			
RWC 06A RESERVE BANK OF INDIA->ALLY BANK - CD			07-23-13	1.800	90,000.00	0.420			
RWC 2000A PACIFIC SHORES BONDS-RESERVE FUND-USTN			10-31-11	4.400	2,056,289.46	9.589			
RWC 2002A IMP PROJECT BANK OF AMERICA-CD			12-23-10	0.150	116,000.00	0.541			
RWC 2002A IMP PROJECT BANK OF CHINA - CD			12-23-10	0.300	240,000.00	1.119			
RWC 2005A FHLMC-RESERVE FUND			10-18-13	0.850	2,100,000.00	9.793			
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	29.455			
2007 WATER REV BONDS - LAIF				0.560	4,563,516.61	21.280			
Total with Fiscal Agents					21,444,924.29	100.0			
TOTAL BOTH PORTFOLIOS					<u>127,554,345.14</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 OCT 2010:

\$78,500,000.00 securities  
 \$282,000.00 cds  
 \$27,327,420.85 liquids

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 \$106,109,420.85 securities & liquid = "idle funds"

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

31 OCT 2010

TYPE	DATE PURCHASED	PURCHASE PRICE (\$)	MATURITY DATE	YIELD %	PAR VALUE (\$)	% OF PORTFOLIO	MARKET VALUE (\$)(2)	Average MATURITY (Months)	NEXT CALL DATE
		\$282,000.00							
									cds
		\$27,327,420.85							Liquids
		3,107,820.00							FHLMC
		3,096,570.00							FHLMC
		3,009,390.00							FNMA
		3,001,380.00							FHLMC
		3,002,820.00							FHLB
		3,012,180.00							FNMA
		3,007,500.00							FHLB
		3,003,390.00							FHLMC
		3,024,060.00							FHLMC
		3,028,140.00							FHLB
		3,001,890.00							FNMA
		3,005,580.00							FHLMC
		1,500,945.00							FHLMC
		3,000,930.00							FNMA
		3,005,640.00							FNMA
		3,014,070.00							FNMA
		3,005,100.00							FHLMC
		2,000,020.00							FHLB
		3,000,000.00							FHLB
		3,001,890.00							FHLB
		3,005,640.00							FFC
		3,015,000.00							FHLB
		3,006,570.00							FNMA
		3,006,570.00							FHLMC
		3,006,570.00							FHLMC
		3,002,820.00							FHLB
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		\$103,481,905.85							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)

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

31 OCT 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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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 OCT 2010  
result:

Policy Requirements Based on Current Investments	Actual Investments
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1 \$52,913,710.43	\$103,481,905.85
2 \$52,913,710.43	\$75,763,735.00
3 \$26,456,855.21	\$72,667,165.00