



Information Item

Date: July 28, 2010

To: Mayor and City Council
From: Carol Swindell, Director of Finance/City Treasurer
Subject: City Monthly Cash and Investment Report for May 2010

Introduction

In compliance with the City Charter, State law, and the City's Investment Policy, the attached monthly report provides information concerning City investments and cash held and/or managed by the Director of Finance/City Treasurer as of May 31, 2010.

Discussion

The May 2010 Investment Report highlights changes from April. The value of cash and investments held in the pooled portfolio increased by \$3 million during May to \$554.7 million. The pooled portfolio yield-to-maturity rose six basis points in May to 1.59%, eighty (80) basis points lower than in May 2009. Investment earnings for the month were \$0.8 million. Fiscal year-to-date earnings are down 28% from the same period last year.

In addition to the pooled portfolio, the City's total cash holdings as of May 31, 2010 included \$58.5 million in Charnock settlement-related funds, \$8 million in bond proceeds held in trust with fiscal agents, \$9.6 million in other funds held in trust, and \$57,122 in petty cash for a total balance of \$631 million.

In compliance with Governmental Accounting Standards, the Monthly Cash and Investment Report provides the fair market value of all investments held by the City, with certain exceptions, as of the last day of the month. The fair market value may be greater or less than the original purchase price (book/reported value) of the investments due to fluctuations in the market resulting in either an unrealized gain or loss for financial

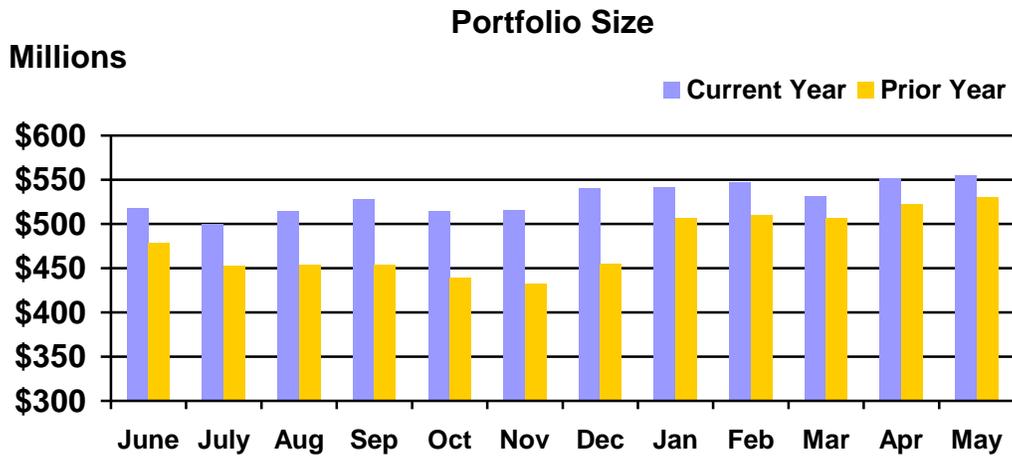
disclosure purposes only. Since it is the City's policy to hold most securities to maturity, these fluctuations in market value do not affect the redemption value of the securities or the overall yield of the portfolio. The book values of investments shown in this report are exclusive of amortization/accretion of premiums/discounts. As of May 31, 2010, the market value of the City's portfolio was essentially the same as the book value.

Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer for the month of May 2010.

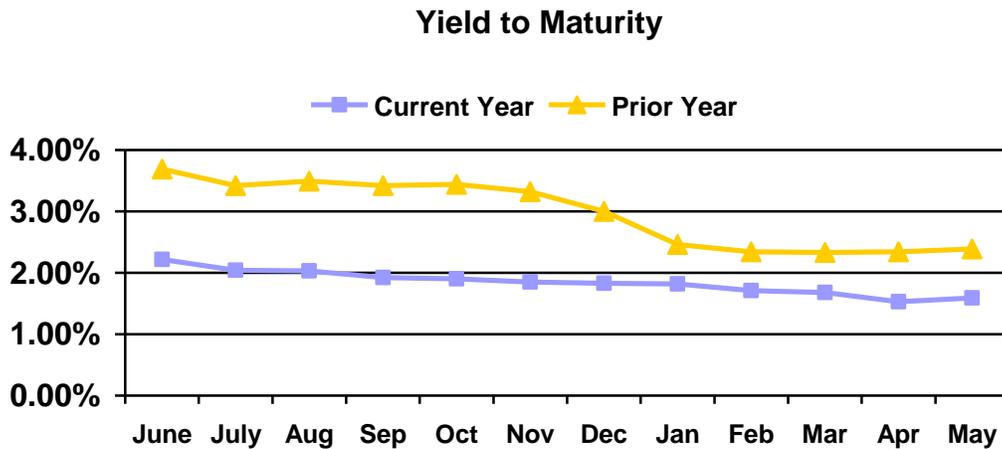
Prepared by: David Carr, Principal Investment Analyst

Attachments: 1 – Investment Highlights
2 – Investment Report

Investment Highlights May 2010

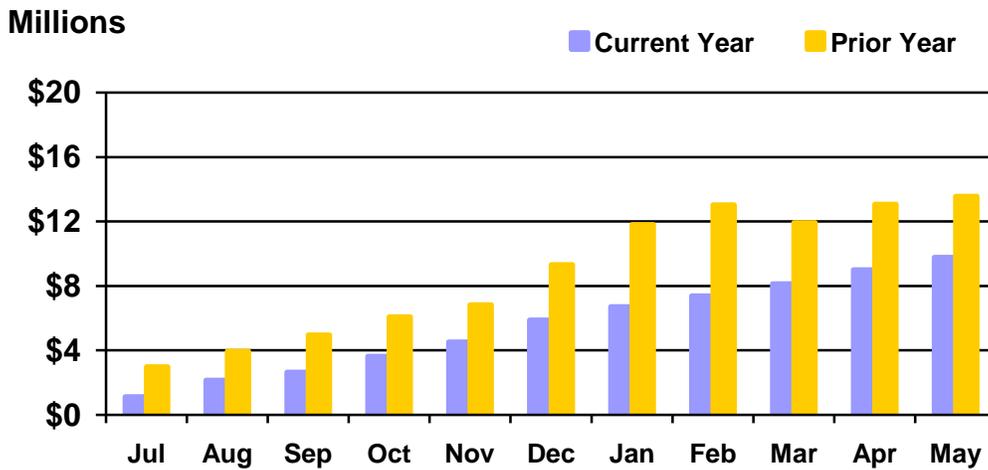


- As of May 31, the portfolio size is \$554.7 million, \$3 million more than in April and \$24.6 million more than in May 2009

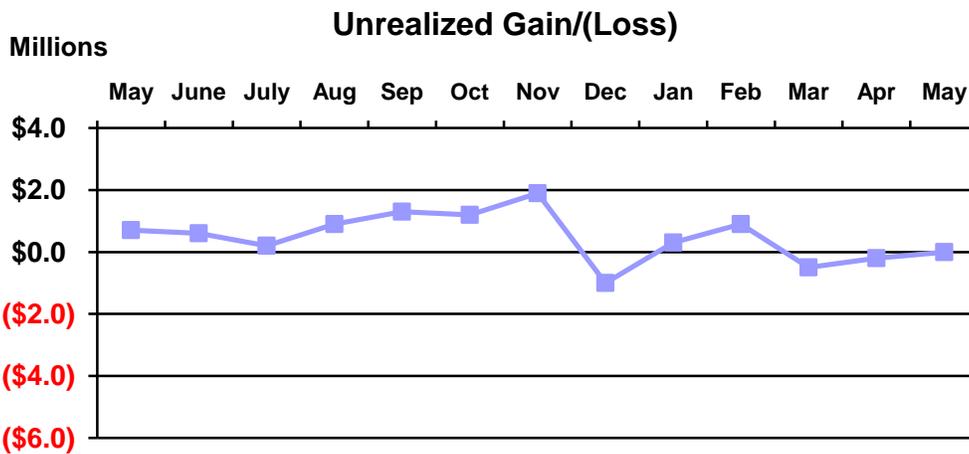


- As of May 31, yield to maturity is 1.59 percent.
- Increase of six basis points from April and eighty basis points from one year earlier.

Fiscal Year-to-Date Interest Earnings (Cumulative by Month)



- Fiscal y-t-d earnings are 28% less than the prior year.



- The unrealized loss of \$24,569.17 reported as of May 31, 2010 is the difference between market value and the unamortized book value (purchase price).



Investment Report

May 2010

Prepared by:
Carol Swindell, Director of Finance/City Treasurer
David R. Carr, Principal Investment Analyst

**City of Santa Monica
Report of Public Monies Held by the City Treasurer
As of May 31, 2010**

Petty Cash	\$57,122.00
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Pooled Portfolio

Bank of America (1)	
General Account	\$686,880.39
Columbia Money Market Sweep Account	\$7,109,016.54
Total Bank of America	\$7,795,896.93
Bank of New York (BNY)	
Corporate Bonds - FDIC Insured	\$70,935,160.00
Federal Agencies Securities	\$380,058,337.88
Total Bank of New York	\$450,993,497.88
State of California Local Agency Investment Fund - RDA	\$47,142,170.90
State of California Local Agency Investment Fund - City	\$48,803,966.20

Total Pooled Portfolio	\$554,735,531.91
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Restricted Cash/Investments Held in Trust

Bond Proceeds	
Union Bank-Earthquake Recovery Redevelopment 2006	
Tax Allocation Refunding Bonds Series A & B	\$16.78
BNY-Library Improvement Project 2002 Series	\$0.00
BNY-Ocean Park Redevelopment Project 2002 Refunding	\$2,465,171.84
BNY-Parking Authority Lease Revenue Bonds 2002 Refunding	\$2.01
BNY-Public Safety Facility Bonds 2002 Series	\$1,383,680.02
BNY-Public Safety Facility Bonds 2009 Refunding	\$1,101,213.67
U.S. Bank-Wastewater Enterprise Revenue Bonds-1993 Refunding	\$0.00
U.S. Bank-Wastewater Enterprise Revenue Bonds-2005 Refunding	\$1.00
Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds	\$3,085,101.06

Total Restricted Cash/Investments Held in Trust	\$8,035,186.38
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Charnock Settlement Funds

Union Bank (December 2006 Settlement)	
Money Market Funds	\$27,006,236.16
Federal Agencies Securities	\$26,386,822.96
Corporate Bonds	\$5,144,450.00
Total Union Bank (December 2006 Settlement)	\$58,537,509.12

Total Charnock Settlement Funds	\$58,537,509.12
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Other Restricted Funds/Funds Held in Trust

Cemetery Perpetual Care Fund (3)	\$7,118,386.00
Mausoleum Perpetual Care Fund (3)	\$764,008.00
HUD Depository Account (4)	\$1,617,577.64
Public Agency Family Self Sufficiency Program (2)	\$145,776.60

Total Other Funds Held in Trust	\$9,645,748.24
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GRAND TOTAL	\$631,011,097.65
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City of Santa Monica
Report of Public Monies Held by the City Treasurer
As of May 31, 2010

- (1) This is the actual bank account balance as of 5/31/10. It only reflects checks and warrants that have been presented for payment and deposits received by the bank. The balance on deposit per the City books would reflect reductions for all checks and warrants issued and an increase for all deposits transmitted. Redevelopment Agency, Housing Authority, and Parking Authority Funds included in totals.
- (2) The City of Santa Monica Housing Authority administers the Family Self Sufficiency Program. An escrow account is set up for each family in the program. The Housing Authority maintains and releases the escrow funds as required by HUD regulations.
- (3) The Cemetery Perpetual Care Funds and the Mausoleum Perpetual Care Funds are held in trust by Charles Schwab & Company, Inc. and administered by the investment firm RNC Genter Capital Management Company. Market value is shown since a large portion of the portfolio is in equities.
- (4) HUD Depository account is used to receive monthly housing assistance payments from HUD.

**City of Santa Monica
Cash Receipts, Disbursements and Cash Balances*
May 31, 2010**

Pursuant to Section 711d of the City Charter, I submit the following:

Cash and Investments - April 30, 2010	551,655,865.71
Receipts	59,027,575.48
Disbursements	(55,947,909.28)
Cash and Investments - May 31, 2010	\$554,735,531.91

* Pooled portfolio only. Excludes certain investments held in trust by third parties such as bond proceeds, perpetual care funds, and Charnock settlement funds.

Carol Swindell
Director of Finance/City Treasurer

Overview

As of May 31, 2010, total City cash and investments were \$631 million, a \$3.6 million decrease from April. The decrease reflects a \$6.6 million decrease in Charnock settlement funds reflecting water treatment plant construction expenditures, partially offset by a \$3.0 million increase in the pooled portfolio. Further details are provided below.

Petty Cash	\$	57,122.00
Pooled Investment Portfolio	\$	554,735,531.91
Restricted Cash/Investment Held in Trust	\$	8,035,186.38
Charnock Settlement Funds	\$	58,537,509.12
Other Funds Held in Trust	\$	9,645,748.24
Total	\$	<u>631,011,097.65</u>

Definitions

- Basis Point – One hundredth of one percent (.01%)
- Book (Reported) Value – The price paid for the security at purchase.
- Bullets – A security with a fixed coupon or interest rate that cannot be redeemed by the issuer before the maturity date.
- Callable Securities – A security that can be redeemed by the issuer before the maturity date.
- Duration – A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a security. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.
- Market Value – The price at which a security is currently trading and could be presumably bought or sold.
- Par Value – The full face value of the security.
- Rebalancing – Strategy whereby low yielding securities are sold at a loss with the proceeds used to purchase higher yielding securities.
- TLGP (Temporary Loan Guarantee Program) – Federal program through which the Federal Deposit Insurance Corporation guarantees repayment of certain bonds issued by financial institutions.
- Unrealized Gain/Loss – Difference between the current market value and purchase price (book value) of a security.
- Yield to Maturity – The rate of return of a security held to maturity when both interest payments and the investor's gain

or loss (premium paid or discount taken) on the security is taken into account.

Pooled Investment Portfolio

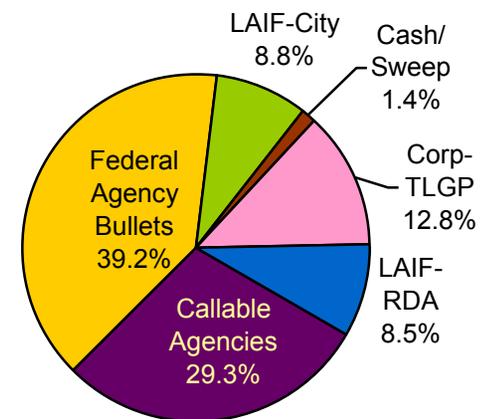
As of May 31, 2010, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is \$554.7 million, a \$3 million increase from April. Revenues typically exceed expenditures in the month of May primarily due to the receipt of large property tax apportionments from Los Angeles County. This year’s increase was partially offset by a transfer of tax increment funds from the redevelopment Agency to the State. Since the City holds most investments to maturity, variations in portfolio book value are typically due to receipt and expenditure patterns during the month rather than any realized gains or losses on securities. Additionally, the City does not amortize premiums or accrete discounts except for financial reporting purposes on the last day of each fiscal year. Seven investments were made during the month (\$49 million), four investments matured (\$37million), and four investments were called (\$17.5 million). No investments were sold. The net total City and RDA State Local Agency Investment Fund (LAIF) account balances increased by \$11 million in May. The balance of the sweep account on May 31 was \$7.1 million.

Details of the main portfolio follow.

Portfolio Composition

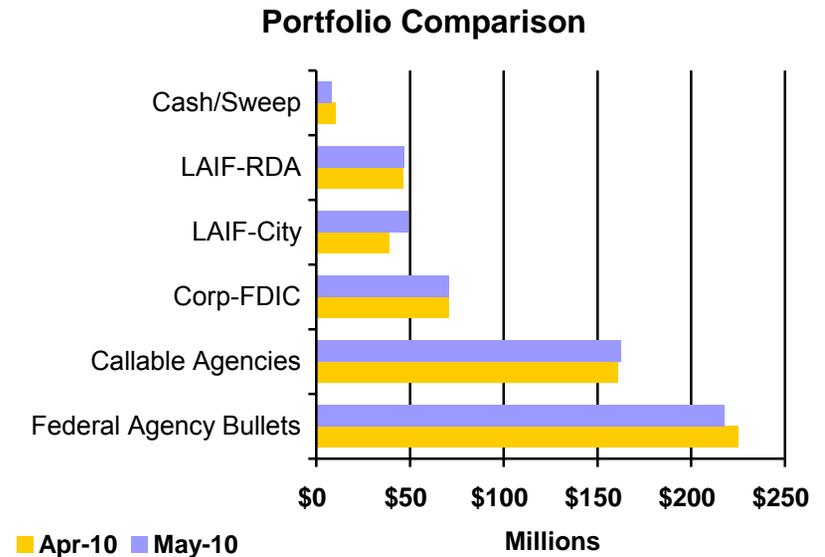
The portfolio is well-diversified and is in compliance with the City’s Investment Policy and applicable provisions of the State Government Code. The largest sector of the portfolio is Federal Agency Securities (68.5%). The remaining 31.5% is invested in State Local Agency Investment Fund accounts for the City (8.8%) and the RDA (8.5%); corporate notes (12.8%), all of which are currently FDIC insured bonds (AAA rated) issued under the FDIC’s Temporary Liquidity Guarantee Program (TLGP); and cash including the money market sweep account (1.48%). This portfolio mix allows the City to maintain its primary investment objectives of safety and liquidity while attaining a rate of return consistent with the City’s Investment Policy and Investment Plan.

Portfolio Composition



Portfolio Comparison

The chart to the right shows the overall structure of the portfolio by type of investment compared to last month. There were no significant changes in May. The City continues to hold a major balance in short term funds as interest rates remain at historic lows, and LAIF provides a significant benefit over other types of investments with maturities one year and under. The bond market, financial and economic conditions, and portfolio structure are continuously evaluated when making investment decisions.



Rebalancing of Portfolio

No portfolio rebalancing occurred in May due to the low interest rate environment. However, when rates begin to rise again, rebalancing opportunities will be evaluated.

**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
May 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon												
3133XFLE4	10715	Federal Home Loan Bank		02/25/2008	5,000,000.00	5,006,250.00	5,259,921.70	5.250	837	2.890	10	06/11/2010
3133XR2Y5	10739	Federal Home Loan Bank		05/15/2008	5,000,000.00	5,003,125.00	4,981,850.00	3.000	757	3.182	10	06/11/2010
3133XR2Y5	10744	Federal Home Loan Bank		05/21/2008	5,000,000.00	5,003,125.00	5,009,000.00	3.000	751	2.904	10	06/11/2010
31331YYU8	10731	Federal Farm Credit Bank		03/27/2008	5,000,000.00	5,007,812.50	4,986,750.00	2.250	826	2.372	30	07/01/2010
3133XCBP7	10749	Federal Home Loan Bank		05/29/2008	5,000,000.00	5,026,562.50	5,181,750.00	5.000	774	3.210	41	07/12/2010
3137EABQ1	10866	Fed Home Loan Mortgage Corp		05/22/2009	5,000,000.00	5,018,750.00	5,154,500.00	3.250	420	0.550	45	07/16/2010
3133XCSY0	10710	Federal Home Loan Bank		02/14/2008	5,000,000.00	5,048,437.50	5,255,500.00	4.875	914	2.750	76	08/16/2010
3133XGRD8	10728	Federal Home Loan Bank		03/27/2008	4,900,000.00	4,976,562.50	5,200,664.00	5.125	916	2.580	120	09/29/2010
3133XSCT3	10813	Federal Home Loan Bank		01/16/2009	3,000,000.00	3,036,562.50	3,101,580.00	3.375	642	1.386	141	10/20/2010
3133XMES6	10789	Federal Home Loan Bank		11/25/2008	7,000,000.00	7,111,562.50	7,177,059.51	4.375	696	3.000	143	10/22/2010
3133XVJC6	10919	Federal Home Loan Bank		01/07/2010	5,000,000.00	5,003,125.00	5,001,000.00	0.430	301	0.406	156	11/04/2010
31331TNJ6	10730	Federal Farm Credit Bank		04/24/2008	5,000,000.00	5,107,812.50	5,206,000.00	4.350	967	2.725	199	12/17/2010
3133XWKG3	10918	Federal Home Loan Bank		01/07/2010	5,000,000.00	4,996,875.00	4,996,552.08	0.375	364	0.445	219	01/06/2011
3137EABW8	10869	Fed Home Loan Mortgage Corp		05/22/2009	3,000,000.00	3,018,660.00	3,030,120.00	1.500	595	0.875	220	01/07/2011
31331JCY7	10939	Federal Farm Credit Bank		02/17/2010	4,000,000.00	3,996,250.00	4,000,622.22	0.350	349	0.350	245	02/01/2011
31331YWG1	10817	Federal Farm Credit Bank		01/22/2009	5,000,000.00	5,093,750.00	5,144,150.00	3.000	770	1.607	275	03/03/2011
3133XPNY6	10751	Federal Home Loan Bank		05/29/2008	3,000,000.00	3,053,437.50	2,948,160.00	2.875	1,016	3.521	283	03/11/2011
31359MM26	10750	Federal National Mort Assoc		05/29/2008	3,000,000.00	3,121,875.00	3,134,760.00	5.125	1,051	3.470	318	04/15/2011
31331YG46	10865	Federal Farm Credit Bank		05/22/2009	5,000,000.00	5,090,625.00	5,145,915.57	2.625	699	1.080	324	04/21/2011
3128X7MN1	10810	Fed Home Loan Mortgage Corp		01/15/2009	5,000,000.00	5,135,000.00	5,206,700.00	3.500	840	1.664	338	05/05/2011
3136F9QM8	10741	Federal National Mort Assoc		06/02/2008	5,000,000.00	5,000,000.00	4,984,100.00	3.400	1,095	3.513	366	06/02/2011
3133XFJY3	10699	Federal Home Loan Bank		01/18/2008	5,000,000.00	5,226,562.50	5,335,350.00	5.250	1,239	3.150	374	06/10/2011
3133XR4U1	10806	Federal Home Loan Bank		01/09/2009	5,000,000.00	5,114,062.50	5,174,150.00	3.125	882	1.650	374	06/10/2011
3133XTXH4	10894	Federal Home Loan Bank		08/26/2009	4,000,000.00	4,043,750.00	4,028,360.00	1.625	700	1.250	421	07/27/2011
3133XUD26	10879	Federal Home Loan Bank		08/10/2009	3,000,000.00	3,034,687.50	3,000,000.00	1.000	730	1.000	435	08/10/2011
31331GDC0	10877	Federal Farm Credit Bank		07/17/2009	5,000,000.00	5,195,312.50	5,253,302.16	3.600	819	1.299	500	10/14/2011
3133XV6K2	10903	Federal Home Loan Bank		10/14/2009	5,000,000.00	5,028,125.00	5,011,850.00	1.150	730	1.030	500	10/14/2011
31331JBL6	10921	Federal Farm Credit Bank		01/14/2010	5,000,000.00	5,020,312.50	5,004,205.56	1.100	728	1.060	590	01/12/2012
3133XWFF9	10930	Federal Home Loan Bank		02/04/2010	1,205,000.00	1,208,389.06	1,205,554.30	1.050	750	1.025	633	02/24/2012
3136FHCP8	10831	Federal National Mort Assoc		03/09/2009	5,000,000.00	5,018,750.00	5,000,000.00	2.000	1,096	2.000	647	03/09/2012
31331JJW4	10949	Federal Farm Credit Bank		04/15/2010	2,105,000.00	2,112,235.94	2,105,719.21	1.230	721	1.230	674	04/05/2012
31398AP63	10950	Federal National Mort Assoc		04/27/2010	3,000,000.00	3,007,500.00	3,000,000.00	1.250	731	1.250	696	04/27/2012
31331GVL0	10860	Federal Farm Credit Bank		05/07/2009	5,000,000.00	5,084,375.00	5,000,000.00	1.875	1,096	1.875	706	05/07/2012
3133MNVV0	10814	Federal Home Loan Bank		01/16/2009	5,000,000.00	5,460,937.50	5,620,170.41	5.750	1,212	1.880	711	05/12/2012
3136FHUY9	10867	Federal National Mort Assoc		06/01/2009	4,450,000.00	4,450,000.00	4,450,000.00	1.400	1,096	1.400	731	06/01/2012
3136FHUY9	10868	Federal National Mort Assoc		06/01/2009	550,000.00	550,000.00	550,000.00	1.400	1,096	1.400	731	06/01/2012

Portfolio INVT

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**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
May 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon												
3128X9SY7	10920	Fed Home Loan Mortgage Corp		01/19/2010	5,000,000.00	5,006,750.00	5,000,000.00	1.625	912	1.625	779	07/19/2012
3133XXP68	10946	Federal Home Loan Bank		03/26/2010	5,000,000.00	5,015,625.00	4,991,494.44	1.250	854	1.331	787	07/27/2012
3133XUG31	10881	Federal Home Loan Bank		07/30/2009	5,000,000.00	5,012,500.00	5,000,000.00	2.050	1,096	2.050	790	07/30/2012
3133.XWXJ3	10938	Federal Home Loan Bank		02/16/2010	4,000,000.00	4,012,500.00	4,000,555.56	1.250	895	1.250	790	07/30/2012
31398AYM8	10911	Federal National Mort Assoc		12/04/2009	5,000,000.00	5,068,750.00	5,066,400.00	1.750	980	1.245	801	08/10/2012
3133XUE41	10906	Federal Home Loan Bank		11/19/2009	5,000,000.00	5,070,312.50	5,056,600.00	1.750	1,007	1.337	813	08/22/2012
3133XUK93	10890	Federal Home Loan Bank		08/19/2009	5,000,000.00	5,093,750.00	5,007,335.75	2.000	1,122	1.951	836	09/14/2012
3128X9V72	10947	Fed Home Loan Mortgage Corp		04/13/2010	2,000,000.00	2,003,240.00	1,999,944.44	1.000	906	1.010	857	10/05/2012
3136FMJW5	10948	Federal National Mort Assoc		04/15/2010	5,000,000.00	5,015,625.00	4,999,750.00	1.625	914	1.627	867	10/15/2012
3133XVVK3	10912	Federal Home Loan Bank		12/04/2009	5,000,000.00	5,029,687.50	5,025,500.00	1.875	1,081	1.697	902	11/19/2012
3133XXW94	10958	Federal Home Loan Bank		05/12/2010	5,000,000.00	5,007,812.50	5,006,562.50	1.750	979	1.750	959	01/15/2013
3128X9SN1	10915	Fed Home Loan Mortgage Corp		01/15/2010	5,000,000.00	5,007,500.00	5,000,000.00	2.000	1,096	2.000	959	01/15/2013
3128X84Q2	10893	Fed Home Loan Mortgage Corp		08/26/2009	4,000,000.00	4,009,400.00	3,996,400.00	2.250	1,253	2.277	974	01/30/2013
3136FJ3M1	10928	Federal National Mort Assoc		02/11/2010	2,500,000.00	2,504,687.50	2,500,000.00	1.000	1,096	1.000	986	02/11/2013
31331JBV4	10929	Federal Farm Credit Bank		02/04/2010	2,500,000.00	2,524,218.75	2,502,800.00	1.750	1,113	1.709	996	02/21/2013
31359MQV8	10909	Federal National Mort Assoc		12/03/2009	5,000,000.00	5,440,625.00	5,496,750.00	4.750	1,176	1.570	996	02/21/2013
3133XWX87	10945	Federal Home Loan Bank		03/23/2010	2,000,000.00	2,021,250.00	2,007,961.11	1.750	1,081	1.696	1,011	03/08/2013
3136FMBK9	10940	Federal National Mort Assoc		03/15/2010	5,000,000.00	5,000,000.00	5,000,000.00	1.000	1,096	1.000	1,018	03/15/2013
31398AH70	10943	Federal National Mort Assoc		03/15/2010	5,000,000.00	5,020,312.50	5,000,000.00	1.800	1,096	1.800	1,018	03/15/2013
31398AZD7	10916	Federal National Mort Assoc		12/28/2009	3,000,000.00	3,012,187.50	3,000,000.00	2.170	1,179	2.170	1,024	03/21/2013
3128X8TZ5	10844	Fed Home Loan Mortgage Corp		04/08/2009	5,000,000.00	5,080,900.00	5,000,000.00	2.500	1,461	2.500	1,042	04/08/2013
31398AQ54	10953	Federal National Mort Assoc		05/06/2010	5,000,000.00	5,028,125.00	4,996,250.00	1.875	1,096	1.901	1,070	05/06/2013
3133XVUD1	10907	Federal Home Loan Bank		12/07/2009	5,000,000.00	5,001,562.50	5,000,000.00	2.125	1,278	2.125	1,102	06/07/2013
3133XR5U0	10901	Federal Home Loan Bank		10/02/2009	5,000,000.00	5,318,750.00	5,312,250.00	3.750	1,351	1.990	1,109	06/14/2013
3133XYHDO	10962	Federal Home Loan Bank		05/28/2010	5,000,000.00	5,014,062.50	4,999,939.58	1.625	1,113	1.657	1,109	06/14/2013
3133XUTR4	10897	Federal Home Loan Bank		09/28/2009	3,000,000.00	3,003,750.00	3,000,000.00	2.300	1,369	2.300	1,123	06/28/2013
3133XWP29	10922	Federal Home Loan Bank		01/26/2010	5,000,000.00	5,046,875.00	5,000,000.00	2.050	1,277	2.050	1,151	07/26/2013
3136FJJR3	10905	Federal National Mort Assoc		10/30/2009	5,000,000.00	5,014,062.50	5,000,000.00	2.200	1,369	2.200	1,155	07/30/2013
3128X86V9	10883	Fed Home Loan Mortgage Corp		08/19/2009	5,000,000.00	5,026,500.00	5,000,000.00	2.800	1,461	2.800	1,175	08/19/2013
3136FJ4C2	10924	Federal National Mort Assoc		02/23/2010	5,000,000.00	5,037,500.00	5,000,000.00	2.000	1,277	2.000	1,179	08/23/2013
3133XUPZ0	10942	Federal Home Loan Bank		03/05/2010	3,000,000.00	3,107,812.50	3,076,230.00	2.625	1,288	1.876	1,200	09/13/2013
31398AJ29	10944	Federal National Mort Assoc		03/16/2010	3,000,000.00	3,012,187.50	2,999,250.00	2.100	1,280	2.107	1,203	09/16/2013
31331GS26	10898	Federal Farm Credit Bank		09/23/2009	2,000,000.00	2,012,500.00	2,000,000.00	2.350	1,461	2.350	1,210	09/23/2013
3128X96W5	10954	Fed Home Loan Mortgage Corp		04/29/2010	5,000,000.00	5,015,350.00	5,002,500.00	2.125	1,279	2.110	1,246	10/29/2013
3136FMTR5	10959	Federal National Mort Assoc		05/26/2010	5,000,000.00	5,001,562.50	5,000,000.00	2.000	1,280	2.000	1,274	11/26/2013
31331G4Y2	10908	Federal Farm Credit Bank		12/03/2009	4,950,000.00	4,950,000.00	4,950,000.00	2.450	1,461	2.450	1,281	12/03/2013

Portfolio INVT

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**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
May 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon												
31331JGV9	10956	Federal Farm Credit Bank		04/29/2010	5,000,000.00	5,004,687.50	5,009,627.78	2.240	1,327	2.260	1,294	12/16/2013
31398AVD1	10914	Federal National Mort Assoc		12/22/2009	5,000,000.00	5,168,750.00	5,092,600.00	2.750	1,506	2.276	1,345	02/05/2014
31331GNA3	10937	Federal Farm Credit Bank		02/12/2010	4,000,000.00	4,146,250.00	4,117,520.00	3.000	1,461	2.228	1,352	02/12/2014
3128X8NE8	10836	Fed Home Loan Mortgage Corp		03/10/2009	5,000,000.00	5,027,950.00	5,000,000.00	2.125	1,826	2.125	1,378	03/10/2014
31398AXB3	10852	Federal National Mort Assoc		05/05/2009	5,000,000.00	5,075,000.00	5,000,000.00	2.800	1,826	2.800	1,434	05/05/2014
3136FJZV6	10913	Federal National Mort Assoc		12/30/2009	5,000,000.00	5,007,812.50	5,000,000.00	2.300	1,826	2.300	1,673	12/30/2014
3133XWUY3	10923	Federal Home Loan Bank		02/24/2010	5,000,000.00	5,017,187.50	5,000,000.00	2.000	1,826	2.000	1,729	02/24/2015
3136FMRJ5	10957	Federal National Mort Assoc		05/26/2010	5,000,000.00	5,039,062.50	5,000,000.00	2.500	1,826	2.500	1,820	05/26/2015
Subtotal and Average			356,842,036.07		351,160,000.00	355,446,093.75	356,059,537.88		1,064	1.944	755	
Federal Agency Discount												
313385XUS	10961	Federal Home Loan Bank		05/24/2010	12,000,000.00	12,000,000.00	11,999,533.33	0.100	14	0.101	6	06/07/2010
313385YC4	10960	Federal Home Loan Bank		05/24/2010	12,000,000.00	12,000,000.00	11,999,266.67	0.100	22	0.101	14	06/15/2010
Subtotal and Average			14,773,401.06		24,000,000.00	24,000,000.00	23,998,800.00		18	0.101	10	
Local Agency Investment Funds												
SYS10090	10090	Local Agency Investment Fund			48,803,966.20	48,803,966.20	48,803,966.20	0.560	1	0.560	1	
Subtotal and Average			42,674,933.94		48,803,966.20	48,803,966.20	48,803,966.20		1	0.560	1	
Columbia Money Market Fund												
SYS10091	10091	Columbia Money Market Reserves		09/15/2006	7,109,016.54	7,109,016.54	7,109,016.54	0.010	1	0.010	1	
Subtotal and Average			13,613,701.85		7,109,016.54	7,109,016.54	7,109,016.54		1	0.010	1	
Local Agency Investment Funds - RDA												
SYS10092	10092	LAIF - RDA		03/17/2009	47,142,170.90	47,142,170.90	47,142,170.90	0.560	1	0.560	1	
Subtotal and Average			45,690,558.00		47,142,170.90	47,142,170.90	47,142,170.90		1	0.560	1	
Corporate Bonds												
481247AD6	10793	JP Morgan Chase		12/22/2008	5,000,000.00	5,054,350.00	5,088,900.00	2.625	709	1.700	183	12/01/2010
17314JAK9	10886	Citigroup		08/07/2009	5,000,000.00	5,029,800.00	5,010,400.00	1.500	704	1.391	406	07/12/2011
38146FAF8	10888	Goldman Sachs		08/07/2009	5,000,000.00	5,051,450.00	5,030,000.00	1.625	707	1.310	409	07/15/2011
17314JAN3	10887	Citigroup		08/07/2009	5,000,000.00	5,034,100.00	4,991,600.00	1.375	733	1.460	435	08/10/2011
61757UAF7	10878	Morgan Stanley		07/21/2009	5,000,000.00	5,065,900.00	5,090,200.00	2.000	793	1.155	478	09/22/2011
86801BAB1	10798	Suntrust Bank		12/29/2008	5,000,000.00	5,156,750.00	5,153,450.00	3.000	1,052	1.900	533	11/16/2011
949744AA4	10790	Wells Fargo Bank		12/10/2008	5,000,000.00	5,159,375.00	4,994,150.00	3.000	1,094	3.041	556	12/09/2011

Portfolio INVT

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**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
May 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Corporate Bonds												
4042EPAA5	10823	HSBC		02/06/2009	5,000,000.00	5,172,100.00	5,151,350.00	3.125	1,043	2.030	563	12/16/2011
9116OHAA5	10842	US Bank		03/13/2009	5,000,000.00	5,111,400.00	4,999,400.00	2.250	1,096	2.254	651	03/13/2012
06050BAA9	10808	Bank of America		01/20/2009	5,000,000.00	5,205,350.00	5,199,100.00	3.125	1,242	1.913	745	06/15/2012
38146FAA9	10816	Goldman Sachs		01/26/2009	5,000,000.00	5,218,950.00	5,206,850.00	3.250	1,236	1.984	745	06/15/2012
61757UAH3	10846	Morgan Stanley		04/13/2009	5,000,000.00	5,083,550.00	4,998,450.00	1.950	1,164	1.960	750	06/20/2012
17313YAG6	10895	Citigroup		08/28/2009	2,000,000.00	2,039,560.00	2,015,520.00	2.125	1,049	1.844	772	07/12/2012
17313YAL5	10899	Citigroup		10/05/2009	3,000,000.00	3,039,150.00	3,011,940.00	1.875	1,113	1.741	874	10/22/2012
481247AM6	10847	JP Morgan Chase		04/13/2009	5,000,000.00	5,101,050.00	4,993,850.00	2.125	1,353	2.160	939	12/26/2012
		Subtotal and Average	70,935,160.00		70,000,000.00	71,522,835.00	70,935,160.00		1,002	1.860	588	
		Total and Average	544,529,790.92		548,215,153.64	554,024,082.39	554,048,651.52		813	1.589	561	

**City of Santa Monica
Portfolio Management
Activity By Type
May 1, 2010 through May 31, 2010**

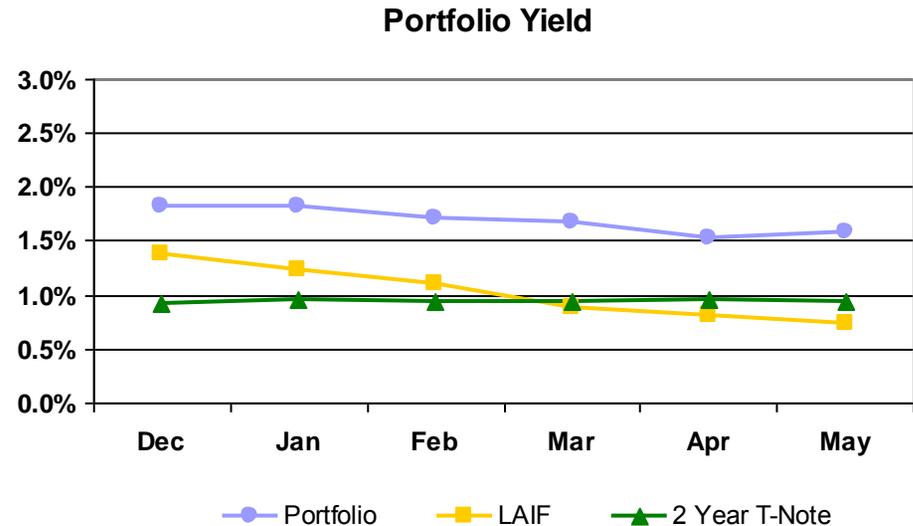
CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Federal Agency Coupon							
3133XRB58	10740	Federal Home Loan Bank	4.125	05/28/2010	0.00	5,000,000.00	
3133XX2M8	10931	Federal Home Loan Bank	2.000	05/26/2010	0.00	5,000,000.00	
3133XXW94	10958	Federal Home Loan Bank	1.750	05/12/2010	5,000,000.00	0.00	
3133XYHDO	10962	Federal Home Loan Bank	1.625	05/28/2010	4,995,200.00	0.00	
3128X9XT2	10927	Fed Home Loan Mortgage Corp	1.250	05/17/2010	0.00	2,500,000.00	
31398APV8	10736	Federal National Mort Assoc	2.375	05/20/2010	0.00	4,959,350.00	
3136FHRE7	10859	Federal National Mort Assoc	2.250	05/20/2010	0.00	5,000,000.00	
31398AQ54	10953	Federal National Mort Assoc	1.875	05/06/2010	4,996,250.00	0.00	
3136FMRJ5	10957	Federal National Mort Assoc	2.500	05/26/2010	5,000,000.00	0.00	
3136FMTR5	10959	Federal National Mort Assoc	2.000	05/26/2010	5,000,000.00	0.00	
Subtotal					24,991,450.00	22,459,350.00	356,059,537.88
Federal Agency Discount							
313385WM4	10951	Federal Home Loan Bank	0.135	05/07/2010	0.00	9,999,212.50	
313385WL6	10952	Federal Home Loan Bank	0.110	05/06/2010	0.00	9,999,572.22	
313385WU6	10955	Federal Home Loan Bank	0.110	05/14/2010	0.00	11,999,376.67	
313385YC4	10960	Federal Home Loan Bank	0.100	05/24/2010	11,999,266.67	0.00	
313385XUS	10961	Federal Home Loan Bank	0.100	05/24/2010	11,999,533.33	0.00	
Subtotal					23,998,800.00	31,998,161.39	23,998,800.00
Local Agency Investment Funds (Monthly Summary)							
SYS10090	10090	Local Agency Investment Fund	0.560		10,000,000.00	0.00	
Subtotal					10,000,000.00	0.00	48,803,966.20
Columbia Money Market Fund (Monthly Summary)							
SYS10091	10091	Columbia Money Market Reserves	0.010		51,764,560.72	53,562,934.80	
Subtotal					51,764,560.72	53,562,934.80	7,109,016.54
Local Agency Investment Funds - RDA (Monthly Summary)							
SYS10092	10092	LAIF - RDA	0.560		6,000,000.00	5,000,000.00	
Subtotal					6,000,000.00	5,000,000.00	47,142,170.90
Corporate Bonds							
Subtotal							70,935,160.00
Total					116,754,810.72	113,020,446.19	554,048,651.52

Portfolio Yield

The portfolio yield-to-maturity was 1.59% as of May 31, 2010, up six (6) basis points from April, but down eighty (80) basis points from May 2009. This is the first increase after eleven consecutive months of decrease. However, the continuing record low interest rate environment remains. This month's yield is three hundred fifty-one (351) basis points below the most recent high mark of 5.1% in September 2007, and is still near seven year lows. The chart compares the month-end portfolio yield to the twelve-month moving averages of the two-year Constant Maturing Treasury security yield (CMT) and State Local Agency Investment Fund (LAIF) yield.

Interest rates in the one to five year maturity range decreased in May for the second consecutive month and remain at historically low levels. The month-end two year CMT decreased by twenty-one (21) basis points in May. The twelve month moving average of the CMT fell by one basis point and is three hundred ninety (390) basis points off its February 2007 high. Rates are now expected to remain relatively low through at least late in 2010 and possibly into 2011. LAIF rates also continue to reflect the low interest rate environment. The twelve month moving average LAIF yield decreased by eight (8) basis points to 0.73% in May and has now declined for thirty-one consecutive months. The monthly LAIF yield for May was of 0.56%, still near record lows.

The Federal Open Market Committee (Fed) had an unscheduled meeting in May to discuss liquidity issues in European markets, but did not discuss the target Fed Funds rate, which remains unchanged at a range of 0% to 0.25%. While the economy continues to show signs of improvement, there are some concerns. The housing market appears to have bottomed out and is showing improvement in many areas of the country. However, some slowing occurred in May after the ending of certain homebuyer tax credits in April. In addition, the economic problems of certain European countries is of concern. First quarter GDP growth was revised downward from original numbers. Economic concerns were reflected in the stock market as the Dow Jones Industrial Average decreased nearly 8% in May. The employment situation is showing only modest improvement. Unemployment remains high (May rate was 9.7%) and much of the job creation the last few months has been temporary census jobs. The commercial real estate market continues to be a major concern. Most economists now expect



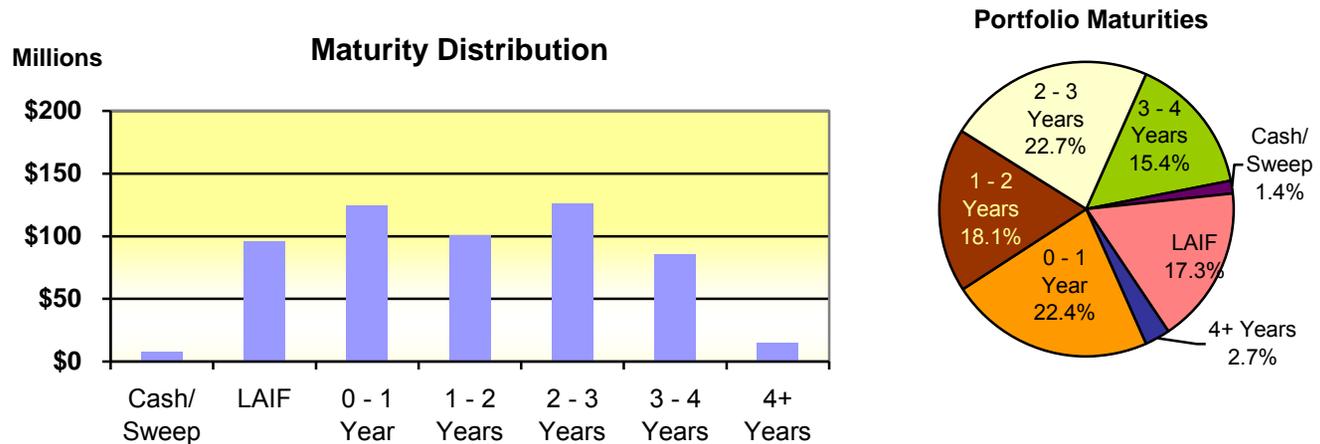
mild economic growth in 2010 and 2011.

The City’s portfolio yield-to-maturity has decreased significantly over the last one and a half years as interest rates have reached historic lows resulting in many investments being called and reinvested at lower rates. Overall, the yield is not expected to change significantly over the next few months, but the market continues to be volatile, so yields could vary on a month-to-month basis. As noted, more bonds will be called in the next few months as interest rates are expected to remain low, but the volume of called investments should decrease after that as many of the higher yielding investments have already been called, matured, or in the case of corporate securities, sold.

Investment earnings in May were \$0.8 million. Fiscal year-to-date earnings are 28% less than for the same period last fiscal year.

Maturity Distribution

The weighted average days to maturity as of May 31, 2010 is 561 days (1.54 years), six days less than the prior month. As noted elsewhere in this report, the current volatile and low interest rate environment continues to result in bonds being called, and the portfolio’s average days to maturity may vary over the next several months. Additionally, most investments are being made primarily in maturities of three years or less as rates are expected to begin a period of significant increase about six to twelve months in the future.



Unrealized Gains/Losses

The Governmental Accounting Standards Board Statement No. 31 (GASB 31) requires public agencies to report all investments, with certain exceptions, at current fair market value rather than at the original purchase price. Current fair market value is defined in GASB 31 as “the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation state.”

The current fair market value and unrealized gain/loss of a security do not affect its redemption value or yield, if held to maturity. There is an inverse relationship between the price of the bond and the market interest rate. The City’s practice is to hold most securities to maturity. Book value and market values are exclusive of interest realized to date on investments. Also, the book value shown is the purchase price and is exclusive of any amortization of premiums or accretion of discounts. As of May 31, 2010, the market value and the book value of the City’s pooled investments (excluding cash) are:

Market Value	\$	554,024,082.39
Book Value (purchase price)		554,048,651.52
Unrealized Gain/(Loss)	\$	(24,569.13)

Charnock Settlement

All remaining restricted settlement funds are now held in an escrow account with Union Bank to be used to pay for the costs of design, construction, and operation of the water treatment facility at the Charnock Wells. These funds are invested under the same guidelines as the pooled portfolio with maturity dates to match the estimated cash flow needs of the Water Treatment Facility project. In accordance with the December 2006 settlement agreement, investment income earned in the escrow account is not restricted for use on the project. In August 2009, all investment income earned from date of account opening (December 2006) through July 2009 was transferred to the City (approximately \$9.7 million) and interest is now being transferred on a monthly basis. Funds remaining in the account (approximately \$58.5 million) should be sufficient to cover all costs related to construction of the facility and operations for the first three to four years. The yield to maturity on these funds as of May 31, 2010 is 1.18%. On May 31, 2010, the portfolio showed an unrealized loss of \$603,494.09. The weighted average days-to-maturity was 178 days (0.5 years). Most investments are being held in very short maturity/low yield investments pending completion of construction of the treatment facility.

**SM Water Treatment Facility
Portfolio Management
Portfolio Details - Investments
May 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
Money Market Sweep Fund												
SYS1	1	Blackrock Institutional Funds-		12/19/2006	27,006,236.16	27,006,236.16	27,006,236.16	0.030		0.030	1	
Subtotal and Average			29,246,292.76		27,006,236.16	27,006,236.16	27,006,236.16			0.030	1	
Corporate Notes												
61757UAA8	54	Morgan Stanley		04/13/2009	5,000,000.00	5,060,150.00	5,144,450.00	2.900		1.108	183	12/01/2010
Subtotal and Average			5,144,450.00		5,000,000.00	5,060,150.00	5,144,450.00			1.108	183	
Federal Agency Coupon Securities												
3133XCBP7	39	Federal Home Loan Bank		04/09/2008	3,000,000.00	3,015,930.00	3,159,510.00	5.000		2.560	41	07/12/2010
3128X4EL1	35	Federal Home Loan Mortgage Cor		04/07/2008	4,000,000.00	4,027,080.00	4,191,200.00	4.625		2.480	57	07/28/2010
3133XGRD8	40	Federal Home Loan Bank		04/09/2008	3,000,000.00	3,046,890.00	3,176,010.00	5.125		2.657	120	09/29/2010
3137EAAB5	45	Federal Home Loan Mortgage Cor		04/16/2008	1,200,000.00	1,248,000.00	1,277,432.96	5.125		2.869	321	04/18/2011
3137EAAF6	42	Federal Home Loan Mortgage Cor		04/16/2008	4,200,000.00	4,419,198.00	4,497,570.00	5.250		2.950	412	07/18/2011
3133XT2T2	57	Federal Home Loan Bank		07/17/2009	5,000,000.00	5,115,650.00	5,087,600.00	2.250		1.550	619	02/10/2012
3128X8MS8	49	Federal Home Loan Mortgage Cor		03/02/2009	5,000,000.00	5,019,450.00	4,997,500.00	2.350		2.367	640	03/02/2012
Subtotal and Average			26,386,822.96		25,400,000.00	25,892,198.00	26,386,822.96			2.409	355	
Total and Average			60,777,565.72		57,406,236.16	57,958,584.16	58,537,509.12			1.197	176	

Compliance

California State law and the City's Investment Policy set certain legal standards for allowable investments that can be included in the City's portfolio. Additionally, there are certain maximum limits for classes of investments, as well as minimum credit quality requirements. In testing for compliance, the City considers all funds under the direct control and invested directly by the City including the pooled portfolio and the Water Treatment Facility account. Bond proceeds and the Cemetery and Mausoleum Perpetual Care Funds are excluded.

The following tables summarize portfolio compliance as of May 31, 2010 all investments were in compliance with State law and the City's Investment Policy at the time of purchase. State law requires that any investment subject to a credit downgrade subsequent to the time of purchase shall be reviewed for possible sale within a reasonable amount of time after the downgrade. As of the date of this report, the portfolio includes no bonds that have been downgraded since the time of purchase and all remaining corporate bonds are FDIC insured and rated AAA.

Further detail regarding City compliance with State law and City investment guidelines is presented as follows:

Portfolio Allocation as of 5/31/10

	Pooled Portfolio	SM Water Treatment Facility Account (1)	Total Portfolio (2) (4)	% of Portfolio	Legal/ Policy Limit	In Compliance (Yes/No)
Federal Agency Securities						
Federal Home Loan Bank	\$174,971,700.94	\$11,423,120.00	\$186,394,820.94	30.4%	50.0%	Yes
Federal National Mortgage Association	95,269,860.00	0.00	95,269,860.00	15.5%	50.0%	Yes
Federal Home Loan Mortgage Corporation	49,390,164.44	14,963,702.96	64,353,867.40	10.5%	50.0%	Yes
Federal Farm Credit Bank	60,426,612.50	0.00	60,426,612.50	9.9%	50.0%	Yes
Total Federal Agency Securities	\$380,058,337.88	26,386,822.96	406,445,160.84	66.3%	n/a	Yes
Corporate Bonds						
Corporate Bonds - TGLP (FDIC Insured)	\$70,935,160.00	\$5,144,450.00	76,079,610.00			
Corporate Bonds - Other	\$0.00		0.00			
Total Corporate Bonds	\$70,935,160.00	\$5,144,450.00	\$76,079,610.00	12.4%	30.0%	Yes
Money Market Mutual Funds						
Columbia Money Market Reserves Advisor Class	7,109,016.54		7,109,016.54	1.2%	10.0%	Yes
BlackrockT-Find Cash Management Sweep		27,006,236.16	27,006,236.16	4.4%	10.0%	Yes
Total-Money Market Mutual Funds	\$7,109,016.54	\$27,006,236.16	\$34,115,252.70	5.6%	20.0%	Yes
State Local Agency Investment Fund-City	\$48,803,966.20		\$48,803,966.20	8.0%	\$50 million	Yes
State Local Agency Investment Fund-RDA	\$47,142,170.90		\$47,142,170.90	7.7%	\$50 million	Yes
Cash (3)	686,880.39		686,880.39	0.1%	None	Yes
Total (Book Value)	\$554,735,531.91	\$58,537,509.12	\$613,273,041.03	100.00%		

Notes:

- (1) Held by Union Bank
- (2) Excludes bond proceeds, funds held in trust for others, petty cash accounts, and other funds which are not entirely under City ownership and control
- (3) City's general bank account held at Bank of America. Does not include balance of HUD depository account (\$1,617,577.64)
- (4) Value used to test compliance is reported value (book value plus unrealized purchased interest).

Credit Ratings - Corporate Medium Term Notes

	Standard & Poors/		In Compliance (Yes/No)
	Fitch	Moodys	
Best Quality	AAA	Aaa	Yes
	AA+	Aa1	Yes
High Quality	AA	Aa2	Yes
	AA-	Aa3	Yes
	A+	A1	Yes
Upper Medium Grade	A	A2	Yes
	A-	A3	Yes
	BBB+	Baa1	No
Medium Grade	BBB	Baa2	No
	BBB-	Baa3	No

Security	Pooled Portfolio	Custodial Account	Treatment Facility Account	Total Portfolio	Credit Rating*	Compliance (Yes/No)
Corporate - TLGP (FDIC Guaranteed)						
Bank of America 3.125% (TLGP) 6/15/2012	\$5,199,100.00			\$5,199,100.00	AAA	Yes
Suntrust Bank 3% (TLGP) maturing 11/16/11	\$5,153,450.00			\$5,153,450.00	AAA	Yes
Goldman Sachs 3.25% (TLGP) 6/15/2012	\$5,206,850.00			\$5,206,850.00	AAA	Yes
Goldman Sachs 1.625% (TLGP) 7/15/11	\$5,030,000.00			\$5,030,000.00	AAA	Yes
HSBC 3.125% (TLGP) maturing 12/16/11	\$5,151,350.00			\$5,151,350.00	AAA	Yes
JP Morgan Chase 2.625% (TLGP) maturing 12/1/10	\$5,088,900.00			\$5,088,900.00	AAA	Yes
JP Morgan Chase 2.125% (TLGP) maturing 12/26/12	\$4,993,850.00			\$4,993,850.00	AAA	Yes
Wells Fargo Bank 3% (TLGP) maturing 1/12/11	\$4,994,150.00			\$4,994,150.00	AAA	Yes
Morgan Stanley 1.95% (TLGP) maturing 6/20/12	\$4,998,450.00			\$4,998,450.00	AAA	Yes
Morgan Stanley 2.9% (TLGP) maturing 12/01/10			\$5,144,450.00	\$5,144,450.00	AAA	Yes
Morgan Stanley 2% (TLGP) maturing 9/22/11	\$5,090,200.00			\$5,090,200.00	AAA	Yes
U.S. Bank 2.25% (TLGP) maturing 3/13/12	\$4,999,400.00			\$4,999,400.00	AAA	Yes
Citigroup 2.125% (TLGP) maturing 7/12/12	\$2,015,520.00			\$2,015,520.00	AAA	Yes
Citigroup 1.5% (TLGP) maturing 7/12/11	\$5,010,400.00			\$5,010,400.00	AAA	Yes
Citigroup 1.875% (TLGP) maturing 10/22/12	\$3,011,940.00			\$3,011,940.00	AAA	Yes
Citigroup 1.375% (TLGP) maturing 8/10/11	\$4,991,600.00			\$4,991,600.00	AAA	Yes

* Per Standard and Poors

Certification

In compliance with California Government Code Section 53546 as amended January 1, 1996, I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months.

Carol Swindell, Director of Finance/City Treasurer