



Information Item

Date: December 9, 2010

To: Mayor and City Council
From: Carol Swindell, Director of Finance/City Treasurer
Subject: City Monthly Cash and Investment Report for August 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 August 31, 2010.

Discussion

The August 2010 Investment Report highlights changes from July. The value of cash and investments held in the pooled portfolio decreased by \$2.1 million in August to \$509.5 million. The pooled portfolio yield-to-maturity fell one basis point in August to 1.42%, sixty-one (61) basis points lower than in August 2009. Investment earnings for the month were \$0.5 million. Fiscal year-to-date earnings are down 54% from the same period last year.

In addition to the pooled portfolio, the City's total cash holdings as of August 31, 2010 included \$50.5 million in Charnock settlement-related funds, \$7.9 million in bond proceeds held in trust with fiscal agents, \$10.9 million in other funds held in trust, and \$57,122 in petty cash/change funds for a total balance of \$578.9 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 August 31, 2010, the market value of the City's portfolio was about \$1.3 million more than the book value.

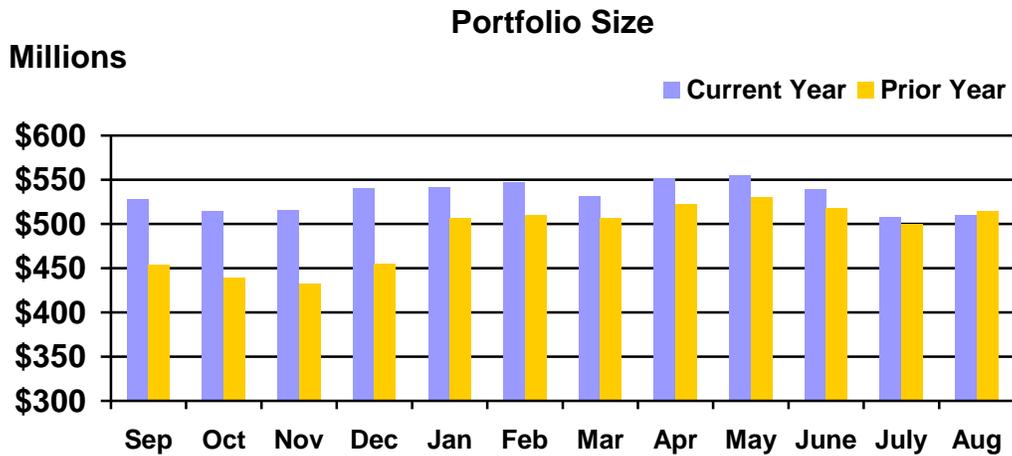
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer for the month of August 2010.

Prepared by: David Carr, Principal Investment Analyst

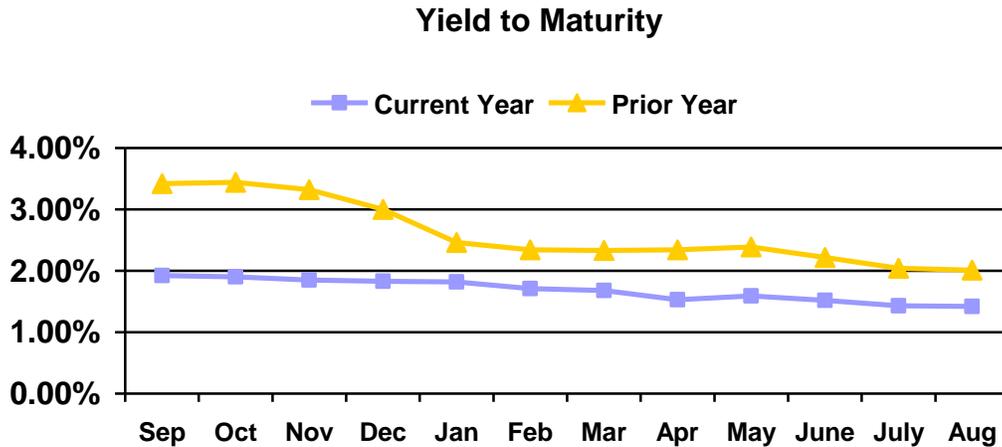
Attachments: 1 – Investment Highlights
2 – Investment Report

Investment Highlights

August 2010

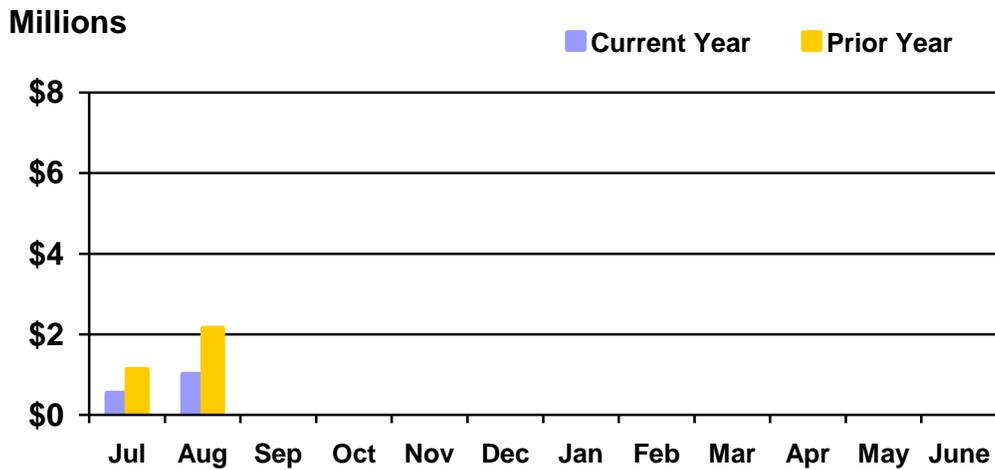


- As of August 31, the portfolio size is \$509.5 million, \$2.1 million more than in July, but \$5 million less than in August 2009

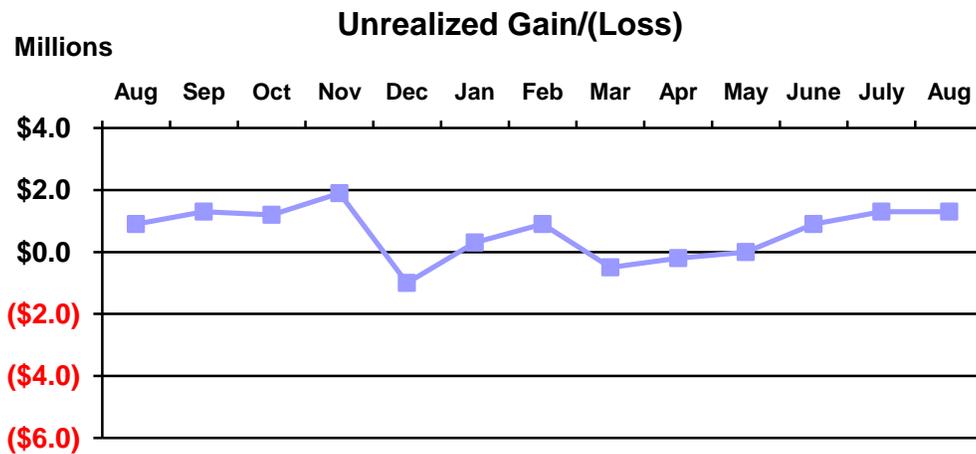


- As of August 31, yield to maturity is 1.42 percent.
- Decrease of one basis point from July and sixty-one basis points from one year earlier.

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



- August year-to-date earnings are 54% less than in the prior year.



- The unrealized gain of \$1.3 million reported as of August 31, 2010 is the difference between market value and the unamortized book value (purchase price).



Investment Report

August 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 August 31, 2010**

Petty Cash/Change Funds \$57,122.00

Pooled Portfolio

Bank of America (1)	
General Account	\$1,183,942.61
Columbia Money Market Sweep Account	\$2,905,417.30
Total Bank of America	<u>\$4,089,359.91</u>
Bank of New York (BNY)	
Corporate Bonds - FDIC Insured	\$70,935,160.00
Federal Agencies Securities	\$343,332,184.79
Total Bank of New York	<u>\$414,267,344.79</u>
State of California Local Agency Investment Fund - RDA	\$45,804,287.03
State of California Local Agency Investment Fund - City	<u>\$45,362,623.60</u>

Total Pooled Portfolio \$509,523,615.33

Restricted Cash/Investments Held in Trust

Bond Proceeds	
Union Bank-Earthquake Recovery Redevelopment 2006	
Tax Allocation Refunding Bonds Series A & B	\$2.02
BNY-Library Improvement Project 2002 Series	\$0.12
BNY-Ocean Park Redevelopment Project 2002 Refunding	\$2,465,171.97
BNY-Parking Authority Lease Revenue Bonds 2002 Refunding	\$2.08
BNY-Public Safety Facility Bonds 2002 Series	\$1,383,770.20
BNY-Public Safety Facility Bonds 2009 Refunding	\$1,129,444.18
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	<u>\$2,873,653.99</u>

Total Restricted Cash/Investments Held in Trust \$7,852,045.56

Charnock Settlement Funds

Union Bank (December 2006 Settlement)	
Money Market Funds	\$26,344,063.41
Federal Agencies Securities	\$19,036,112.96
Corporate Bonds	\$5,144,450.00
Total Union Bank (December 2006 Settlement)	<u>\$50,524,626.37</u>

Total Charnock Settlement Funds \$50,524,626.37

Other Restricted Funds/Funds Held in Trust

Cemetery Perpetual Care Fund (3)	\$7,194,831.00
Mausoleum Perpetual Care Fund (3)	\$776,621.00
HUD Depository Account (4)	\$2,798,387.14
Public Agency Family Self Sufficiency Program (2)	<u>\$145,813.46</u>

Total Other Funds Held in Trust \$10,915,652.60

GRAND TOTAL \$578,873,061.86

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

- (1) This is the actual bank account balance as of 8/31/10. 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*
August 31, 2010**

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

Cash and Investments - July 31, 2010	507,421,364.25
Receipts	42,144,910.63
Disbursements	(40,042,659.55)
Cash and Investments - August 31, 2010	\$509,523,615.33

* 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 August 31, 2010, total City cash and investments were \$578.9 million, a \$2 million increase from July. The increase reflects a typical pattern for the month of August where City-wide revenues typically exceed expenditures by a modest amount.

Petty Cash	\$	57,122.00
Pooled Investment Portfolio	\$	509,523,615.33
Restricted Cash/Investment Held in Trust	\$	7,852,045.56
Charnock Settlement Funds	\$	50,524,626.37
Other Funds Held in Trust	\$	10,915,652.60
Total	\$	<u>578,873,061.86</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

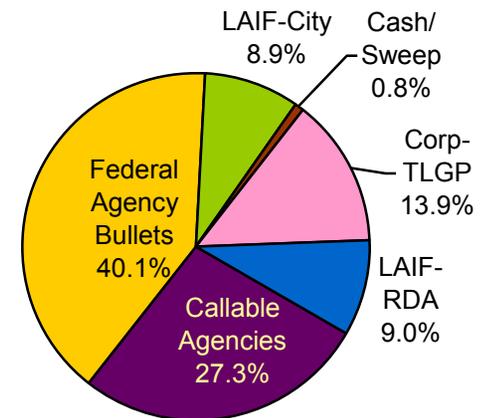
As of August 31, 2010, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is \$509.5 million, a \$2.1 million increase from July. Since the City holds most investments to maturity, variations in portfolio book value are typically due to receipt and expenditure 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. Nine investments were made during the month (\$36.5 million), three investments matured (\$17.2 million), and three investments were called (\$13 million). No investments were sold. The net total City and RDA State Local Agency Investment Fund (LAIF) account balances increased by \$12 million in August. The balance of the money market sweep account on August 31 was \$2.9 million.

Details of the main portfolio follow.

Portfolio Composition

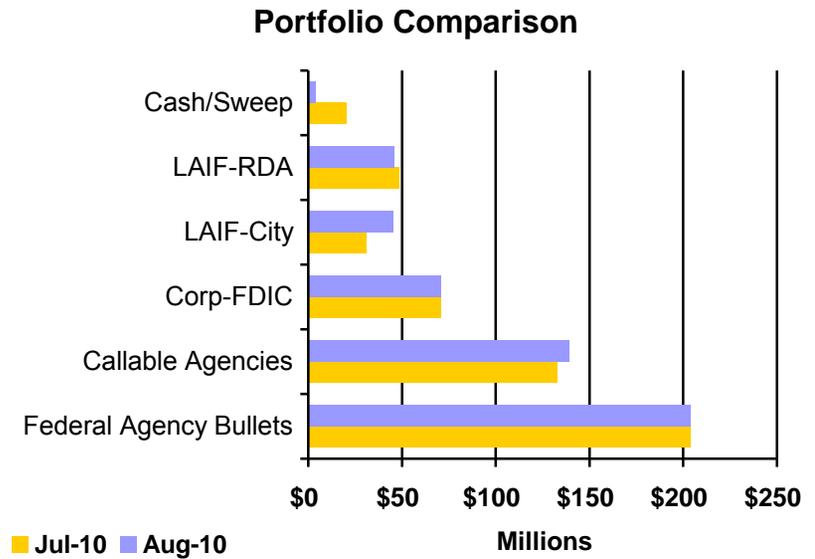
The portfolio is well-diversified and is in compliance with the City’s Investment Policy and applicable provisions of the State Government Code. The largest sector of the portfolio is Federal Agency Securities (67.4%). The remaining 32.6% is invested in State Local Agency Investment Fund accounts for the City (8.9%) and the RDA (9%); corporate notes (13.9%), 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 (0.8%). 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. The cash/sweep balance decreased significantly as funds received at the end of the prior month were invested. There were no other significant changes in August. 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 August 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
August 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												
3133XGRD8	10728	Federal Home Loan Bank		03/27/2008	4,900,000.00	4,918,375.00	5,200,664.00	5.125	916	2.580	28	09/29/2010
3133XSCT3	10813	Federal Home Loan Bank		01/16/2009	3,000,000.00	3,013,125.00	3,101,580.00	3.375	642	1.386	49	10/20/2010
3133XMES6	10789	Federal Home Loan Bank		11/25/2008	7,000,000.00	7,039,375.00	7,177,059.51	4.375	696	3.000	51	10/22/2010
3133XVJC6	10919	Federal Home Loan Bank		01/07/2010	5,000,000.00	5,001,562.50	5,001,000.00	0.430	301	0.406	64	11/04/2010
31331TNJ6	10730	Federal Farm Credit Bank		04/24/2008	5,000,000.00	5,060,937.50	5,206,000.00	4.350	967	2.725	107	12/17/2010
3133XWKG3	10918	Federal Home Loan Bank		01/07/2010	5,000,000.00	5,003,125.00	4,996,500.00	0.375	364	0.445	127	01/06/2011
3137EABW8	10869	Fed Home Loan Mortgage Corp		05/22/2009	3,000,000.00	3,013,620.00	3,030,120.00	1.500	595	0.875	128	01/07/2011
31331JCY7	10939	Federal Farm Credit Bank		02/17/2010	4,000,000.00	4,002,500.00	4,000,000.00	0.350	349	0.350	153	02/01/2011
31331YWG1	10817	Federal Farm Credit Bank		01/22/2009	5,000,000.00	5,068,750.00	5,144,150.00	3.000	770	1.607	183	03/03/2011
3133XPNY6	10751	Federal Home Loan Bank		05/29/2008	3,000,000.00	3,040,312.50	2,948,160.00	2.875	1,016	3.521	191	03/11/2011
31359MM26	10750	Federal National Mort Assoc		05/29/2008	3,000,000.00	3,091,875.00	3,134,760.00	5.125	1,051	3.470	226	04/15/2011
31331YG46	10865	Federal Farm Credit Bank		05/22/2009	5,000,000.00	5,073,437.50	5,145,915.57	2.625	699	1.080	232	04/21/2011
3128X7MN1	10810	Fed Home Loan Mortgage Corp		01/15/2009	5,000,000.00	5,107,850.00	5,206,700.00	3.500	840	1.664	246	05/05/2011
3133XFJY3	10699	Federal Home Loan Bank		01/18/2008	5,000,000.00	5,182,812.50	5,335,350.00	5.250	1,239	3.150	282	06/10/2011
3133XR4U1	10806	Federal Home Loan Bank		01/09/2009	5,000,000.00	5,098,437.50	5,174,150.00	3.125	882	1.650	282	06/10/2011
3133XTXH4	10894	Federal Home Loan Bank		08/26/2009	4,000,000.00	4,046,250.00	4,028,360.00	1.625	700	1.250	329	07/27/2011
31331GDC0	10877	Federal Farm Credit Bank		07/17/2009	5,000,000.00	5,179,687.50	5,253,302.16	3.600	819	1.299	408	10/14/2011
3133XV6K2	10903	Federal Home Loan Bank		10/14/2009	5,000,000.00	5,042,187.50	5,011,850.00	1.150	730	1.030	408	10/14/2011
31331JBL6	10921	Federal Farm Credit Bank		01/14/2010	5,000,000.00	5,043,750.00	5,003,900.00	1.100	728	1.060	498	01/12/2012
3133XWFP9	10930	Federal Home Loan Bank		02/04/2010	1,205,000.00	1,214,790.63	1,205,554.30	1.050	750	1.025	541	02/24/2012
3133XYGF7	10965	Federal Home Loan Bank		06/04/2010	5,000,000.00	5,035,937.50	5,011,150.00	1.000	634	0.866	545	02/28/2012
3136FHCP8	10831	Federal National Mort Assoc		03/09/2009	5,000,000.00	5,001,562.50	5,000,000.00	2.000	1,096	2.000	555	03/09/2012
31331JJW4	10949	Federal Farm Credit Bank		04/15/2010	2,105,000.00	2,115,525.00	2,105,719.21	1.230	721	1.230	582	04/05/2012
31398AP63	10950	Federal National Mort Assoc		04/27/2010	3,000,000.00	3,003,750.00	3,000,000.00	1.250	731	1.250	604	04/27/2012
31331GVL0	10860	Federal Farm Credit Bank		05/07/2009	5,000,000.00	5,109,375.00	5,000,000.00	1.875	1,096	1.875	614	05/07/2012
3133MNVV0	10814	Federal Home Loan Bank		01/16/2009	5,000,000.00	5,439,062.50	5,620,170.41	5.750	1,212	1.880	619	05/12/2012
3134G1EN0	10963	Fed Home Loan Mortgage Corp		06/07/2010	5,000,000.00	5,001,000.00	5,000,000.00	0.625	731	0.625	645	06/07/2012
3133XWKU5	10980	Federal Home Loan Bank		07/29/2010	5,000,000.00	5,068,750.00	5,068,489.58	1.375	680	0.737	646	06/08/2012
3133XXP68	10946	Federal Home Loan Bank		03/26/2010	5,000,000.00	5,057,812.50	4,990,800.00	1.250	854	1.331	695	07/27/2012
3133.XWXJ3	10938	Federal Home Loan Bank		02/16/2010	4,000,000.00	4,046,250.00	4,000,000.00	1.250	895	1.250	698	07/30/2012
31398AYM8	10911	Federal National Mort Assoc		12/04/2009	5,000,000.00	5,106,250.00	5,066,400.00	1.750	980	1.245	709	08/10/2012
3133XUE41	10906	Federal Home Loan Bank		11/19/2009	5,000,000.00	5,106,250.00	5,056,600.00	1.750	1,007	1.337	721	08/22/2012
3134G1GQ1	10981	Fed Home Loan Mortgage Corp		08/13/2010	2,500,000.00	2,516,450.00	2,514,900.00	1.000	746	0.668	727	08/28/2012
3133XUK93	10890	Federal Home Loan Bank		08/19/2009	5,000,000.00	5,132,812.50	5,007,335.75	2.000	1,122	1.951	744	09/14/2012
3128X9V72	10947	Fed Home Loan Mortgage Corp		04/13/2010	2,000,000.00	2,001,180.00	1,999,944.44	1.000	906	1.010	765	10/05/2012
3136FMJW5	10948	Federal National Mort Assoc		04/15/2010	5,000,000.00	5,006,250.00	4,999,750.00	1.625	914	1.627	775	10/15/2012

Portfolio INVT

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**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
August 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												
3133XVNK3	10912	Federal Home Loan Bank		12/04/2009	5,000,000.00	5,015,625.00	5,025,500.00	1.875	1,081	1.697	810	11/19/2012
313370B23	10979	Federal Home Loan Bank		07/29/2010	5,000,000.00	5,004,687.50	4,999,500.00	1.100	915	1.104	881	01/29/2013
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	894	02/11/2013
31331JBV4	10929	Federal Farm Credit Bank		02/04/2010	2,500,000.00	2,551,562.50	2,502,800.00	1.750	1,113	1.709	904	02/21/2013
31359MQV8	10909	Federal National Mort Assoc		12/03/2009	5,000,000.00	5,476,562.50	5,496,750.00	4.750	1,176	1.570	904	02/21/2013
3133XWX87	10945	Federal Home Loan Bank		03/23/2010	2,000,000.00	2,049,375.00	2,007,961.11	1.750	1,081	1.696	919	03/08/2013
3136FMBK9	10940	Federal National Mort Assoc		03/15/2010	5,000,000.00	5,004,687.50	5,000,000.00	1.000	1,096	1.000	926	03/15/2013
31398AH70	10943	Federal National Mort Assoc		03/15/2010	5,000,000.00	5,031,250.00	5,000,000.00	1.800	1,096	1.800	926	03/15/2013
31398AZD7	10916	Federal National Mort Assoc		12/28/2009	3,000,000.00	3,002,812.50	3,000,000.00	2.170	1,179	2.170	932	03/21/2013
3128X8TZ5	10844	Fed Home Loan Mortgage Corp		04/08/2009	5,000,000.00	5,060,800.00	5,000,000.00	2.500	1,461	2.500	950	04/08/2013
31398AQ54	10953	Federal National Mort Assoc		05/06/2010	5,000,000.00	5,042,187.50	4,996,250.00	1.875	1,096	1.901	978	05/06/2013
3133XR5U0	10901	Federal Home Loan Bank		10/02/2009	5,000,000.00	5,387,500.00	5,312,250.00	3.750	1,351	1.990	1,017	06/14/2013
3133XYHDO	10962	Federal Home Loan Bank		05/28/2010	5,000,000.00	5,104,687.50	4,999,939.58	1.625	1,113	1.657	1,017	06/14/2013
3134G1HW7	10972	Fed Home Loan Mortgage Corp		06/28/2010	5,000,000.00	5,047,050.00	5,000,000.00	1.625	1,096	1.625	1,031	06/28/2013
3134G1JG0	10973	Fed Home Loan Mortgage Corp		07/08/2010	5,000,000.00	5,009,850.00	5,000,000.00	1.000	1,096	1.000	1,041	07/08/2013
3133XWP29	10922	Federal Home Loan Bank		01/26/2010	5,000,000.00	5,032,812.50	5,000,000.00	2.050	1,277	2.050	1,059	07/26/2013
3136FJ4C2	10924	Federal National Mort Assoc		02/23/2010	5,000,000.00	5,085,937.50	5,000,000.00	2.000	1,277	2.000	1,087	08/23/2013
313370SQ2	10988	Federal Home Loan Bank		08/30/2010	5,000,000.00	4,996,875.00	5,000,000.00	0.500	1,094	0.500	1,092	08/28/2013
3133XUPZ0	10942	Federal Home Loan Bank		03/05/2010	3,000,000.00	3,152,812.50	3,076,230.00	2.625	1,288	1.876	1,108	09/13/2013
313370LB2	10982	Federal Home Loan Bank		08/13/2010	2,500,000.00	2,505,468.75	2,503,127.78	1.000	1,127	0.962	1,108	09/13/2013
31398AJ29	10944	Federal National Mort Assoc		03/16/2010	3,000,000.00	3,001,875.00	2,999,250.00	2.100	1,280	2.107	1,111	09/16/2013
31331GS26	10898	Federal Farm Credit Bank		09/23/2009	2,000,000.00	2,002,500.00	2,000,000.00	2.350	1,461	2.350	1,118	09/23/2013
31331JWF6	10978	Federal Farm Credit Bank		07/28/2010	5,000,000.00	5,007,812.50	4,999,500.00	1.400	1,188	1.403	1,153	10/28/2013
3136FMTR5	10959	Federal National Mort Assoc		05/26/2010	5,000,000.00	5,017,187.50	5,000,000.00	2.000	1,280	2.000	1,182	11/26/2013
313370NL8	10990	Federal Home Loan Bank		08/27/2010	2,500,000.00	2,497,656.25	2,500,650.00	1.000	1,218	0.992	1,213	12/27/2013
31398AVD1	10914	Federal National Mort Assoc		12/22/2009	5,000,000.00	5,282,812.50	5,092,600.00	2.750	1,506	2.276	1,253	02/05/2014
31331GNA3	10937	Federal Farm Credit Bank		02/12/2010	4,000,000.00	4,235,000.00	4,117,520.00	3.000	1,461	2.228	1,260	02/12/2014
3128X8NE8	10836	Fed Home Loan Mortgage Corp		03/10/2009	5,000,000.00	5,002,400.00	5,000,000.00	2.125	1,826	2.125	1,286	03/10/2014
31398AXB3	10852	Federal National Mort Assoc		05/05/2009	5,000,000.00	5,076,562.50	5,000,000.00	2.800	1,826	2.800	1,342	05/05/2014
31331JPS6	10966	Federal Farm Credit Bank		06/04/2010	5,000,000.00	5,000,000.00	4,994,402.78	2.350	1,459	2.383	1,370	06/02/2014
313370RB6	10985	Federal Home Loan Bank		08/26/2010	4,000,000.00	3,992,500.00	4,000,000.00	1.000	1,553	1.000	1,547	11/26/2014
3136FMRJ5	10957	Federal National Mort Assoc		05/26/2010	5,000,000.00	5,025,000.00	5,000,000.00	2.500	1,826	2.500	1,728	05/26/2015
3136FMXY5	10964	Federal National Mort Assoc		06/15/2010	5,000,000.00	5,045,312.50	5,000,000.00	2.000	1,826	2.000	1,748	06/15/2015
3134G1GU2	10968	Fed Home Loan Mortgage Corp		06/30/2010	5,000,000.00	5,024,450.00	5,000,000.00	2.250	1,826	2.250	1,763	06/30/2015
3136FM3T9	10977	Federal National Mort Assoc		07/28/2010	2,500,000.00	2,514,062.50	2,500,000.00	1.550	1,826	1.550	1,791	07/28/2015
3134G1MV3	10976	Fed Home Loan Mortgage Corp		08/04/2010	5,000,000.00	5,016,000.00	5,000,000.00	2.430	1,826	2.430	1,798	08/04/2015

Portfolio INVT

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**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
August 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												
3136FM2C7	10975	Federal National Mort Assoc		08/04/2010	5,000,000.00	5,025,000.00	5,000,000.00	1.875	1,826	1.875	1,798	08/04/2015
Subtotal and Average			320,356,234.35		315,210,000.00	319,824,340.63	319,370,566.18		1,094	1.683	804	
Federal Agency Discount												
313385H66	10974	Federal Home Loan Bank		06/30/2010	7,000,000.00	6,999,300.00	6,997,168.89	0.160	91	0.162	28	09/29/2010
313589N82	10986	Federal National Mort Assoc		08/25/2010	5,000,000.00	4,998,500.00	4,998,288.89	0.160	77	0.162	70	11/10/2010
313589N82	10987	Federal National Mort Assoc		08/25/2010	5,000,000.00	4,998,500.00	4,998,181.94	0.170	77	0.172	70	11/10/2010
313588GK5	10967	Federal National Mort Assoc		06/10/2010	7,000,000.00	6,988,100.00	6,967,978.89	0.460	358	0.475	275	06/03/2011
Subtotal and Average			18,157,492.81		24,000,000.00	23,984,400.00	23,961,618.61		163	0.255	117	
Local Agency Investment Funds												
SYS10090	10090	Local Agency Investment Fund			45,362,623.60	45,362,623.60	45,362,623.60	0.513	1	0.513	1	
Subtotal and Average			38,475,526.83		45,362,623.60	45,362,623.60	45,362,623.60		1	0.513	1	
Columbia Money Market Fund												
SYS10091	10091	Columbia Money Market Reserves		09/15/2006	2,905,417.30	2,905,417.30	2,905,417.30	0.010	1	0.010	1	
Subtotal and Average			6,775,039.43		2,905,417.30	2,905,417.30	2,905,417.30		1	0.010	1	
Local Agency Investment Funds - RDA												
SYS10092	10092	LAIF - RDA		03/17/2009	45,804,287.03	45,804,287.03	45,804,287.03	0.513	1	0.513	1	
Subtotal and Average			48,142,996.71		45,804,287.03	45,804,287.03	45,804,287.03		1	0.513	1	
Corporate Bonds												
481247AD6	10793	JP Morgan Chase		12/22/2008	5,000,000.00	5,032,550.00	5,088,900.00	2.625	709	1.700	91	12/01/2010
17314JAK9	10886	Citigroup		08/07/2009	5,000,000.00	5,057,400.00	5,010,400.00	1.500	704	1.391	314	07/12/2011
38146FAF8	10888	Goldman Sachs		08/07/2009	5,000,000.00	5,057,850.00	5,030,000.00	1.625	707	1.310	317	07/15/2011
17314JAN3	10887	Citigroup		08/07/2009	5,000,000.00	5,049,950.00	4,991,600.00	1.375	733	1.460	343	08/10/2011
61757UAF7	10878	Morgan Stanley		07/21/2009	5,000,000.00	5,086,800.00	5,090,200.00	2.000	793	1.155	386	09/22/2011
86801BAB1	10798	Suntrust Bank		12/29/2008	5,000,000.00	5,149,000.00	5,153,450.00	3.000	1,052	1.900	441	11/16/2011
949744AA4	10790	Wells Fargo Bank		12/10/2008	5,000,000.00	5,162,500.00	4,994,150.00	3.000	1,094	3.041	464	12/09/2011
4042EPAA5	10823	HSBC		02/06/2009	5,000,000.00	5,172,150.00	5,151,350.00	3.125	1,043	2.030	471	12/16/2011
9116OHAA5	10842	US Bank		03/13/2009	5,000,000.00	5,131,750.00	4,999,400.00	2.250	1,096	2.254	559	03/13/2012
06050BAA9	10808	Bank of America		01/20/2009	5,000,000.00	5,223,350.00	5,199,100.00	3.125	1,242	1.913	653	06/15/2012
38146FAA9	10816	Goldman Sachs		01/26/2009	5,000,000.00	5,228,050.00	5,206,850.00	3.250	1,236	1.984	653	06/15/2012
61757UAH3	10846	Morgan Stanley		04/13/2009	5,000,000.00	5,121,875.00	4,998,450.00	1.950	1,164	1.960	658	06/20/2012

Portfolio INVT

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**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
August 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												
17313YAG6	10895	Citigroup		08/28/2009	2,000,000.00	2,055,680.00	2,015,520.00	2.125	1,049	1.844	680	07/12/2012
17313YAL5	10899	Citigroup		10/05/2009	3,000,000.00	3,073,410.00	3,011,940.00	1.875	1,113	1.741	782	10/22/2012
481247AM6	10847	JP Morgan Chase		04/13/2009	5,000,000.00	5,163,281.00	4,993,850.00	2.125	1,353	2.160	847	12/26/2012
		Subtotal and Average	70,935,160.00		70,000,000.00	71,765,596.00	70,935,160.00		1,002	1.860	496	
		Total and Average	502,842,450.11		503,282,327.93	509,646,664.56	508,339,672.72		835	1.421	580	

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

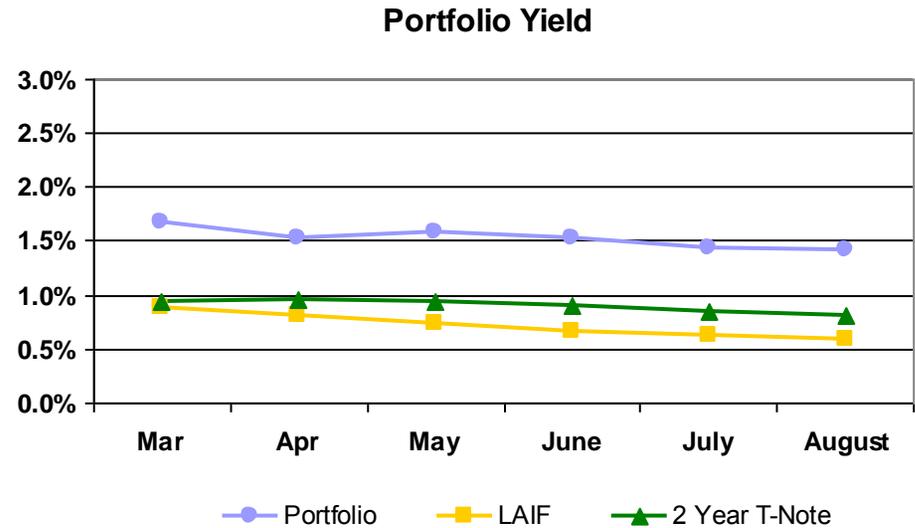
CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Federal Agency Coupon							
3133XCSY0	10710	Federal Home Loan Bank	4.875	08/16/2010	0.00	5,255,500.00	
3133XUD26	10879	Federal Home Loan Bank	2.000	08/10/2010	0.00	3,000,000.00	
3133XWUY3	10923	Federal Home Loan Bank	2.000	08/24/2010	0.00	5,000,000.00	
313370LB2	10982	Federal Home Loan Bank	1.000	08/13/2010	2,502,850.00	0.00	
313370RB6	10985	Federal Home Loan Bank	1.000	08/26/2010	4,000,000.00	0.00	
313370SQ2	10988	Federal Home Loan Bank	0.500	08/30/2010	5,000,000.00	0.00	
313370NL8	10990	Federal Home Loan Bank	1.000	08/27/2010	2,500,650.00	0.00	
3128X86V9	10883	Fed Home Loan Mortgage Corp	2.800	08/19/2010	0.00	5,000,000.00	
3128X8KY7	10970	Fed Home Loan Mortgage Corp	1.330	08/18/2010	0.00	7,044,553.06	
3134G1MV3	10976	Fed Home Loan Mortgage Corp	2.430	08/04/2010	5,000,000.00	0.00	
3134G1GQ1	10981	Fed Home Loan Mortgage Corp	1.000	08/13/2010	2,514,900.00	0.00	
3136FM2C7	10975	Federal National Mort Assoc	1.875	08/04/2010	5,000,000.00	0.00	
		Subtotal			26,518,400.00	25,300,053.06	319,370,566.18
Federal Agency Discount							
313385B70	10969	Federal Home Loan Bank	0.120	08/13/2010	0.00	4,998,950.00	
313589N82	10986	Federal National Mort Assoc	0.160	08/25/2010	4,998,288.89	0.00	
313589N82	10987	Federal National Mort Assoc	0.170	08/25/2010	4,998,181.94	0.00	
		Subtotal			9,996,470.83	4,998,950.00	23,961,618.61
Local Agency Investment Funds (Monthly Summary)							
SYS10090	10090	Local Agency Investment Fund	0.513		36,000,000.00	21,500,000.00	
		Subtotal			36,000,000.00	21,500,000.00	45,362,623.60
Columbia Money Market Fund (Monthly Summary)							
SYS10091	10091	Columbia Money Market Reserves	0.010		24,448,991.88	41,190,228.98	
		Subtotal			24,448,991.88	41,190,228.98	2,905,417.30
Local Agency Investment Funds - RDA (Monthly Summary)							
SYS10092	10092	LAIF - RDA	0.513		0.00	2,500,000.00	
		Subtotal			0.00	2,500,000.00	45,804,287.03
Corporate Bonds							
		Subtotal					70,935,160.00
		Total			96,963,862.71	95,489,232.04	508,339,672.72

**City of Santa Monica
Portfolio Management
Portfolio Details - Cash
August 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity
		Average Balance	0.00						0		0
		Total Cash and Investments	502,842,450.11		503,282,327.93	509,646,664.56	508,339,672.72		835	1.421	580

Portfolio Yield

The portfolio yield-to-maturity was 1.42% as of August 31, 2010, down one (1) basis points from July and down sixty-one (61) basis points from August 2009. This is the fourteenth month in the last fifteen of declining yields. The continuing record low interest rate environment continues to affect portfolio returns. This month's yield is three hundred sixty-eight (368) basis points below the most recent high mark of 5.1% in September 2007 and is at the lowest point for which records are available. 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 August for the fifth consecutive month and remain at historically low levels. The month-end two year CMT decreased eight (8) basis points in August and has dropped fifty-five (55) basis points in the last five months. The twelve month moving average of the CMT fell by four basis points and is three hundred ninety-eight (398) basis points off its February 2007 high. Rates are now expected to remain relatively low through at least the middle of 2011. LAIF rates also continue to reflect the low interest rate environment. The twelve month moving average LAIF yield decreased by four (4) basis points to 0.58% in August and has now declined for thirty-four consecutive months. The monthly LAIF yield for August was 0.51% a record low for the third consecutive month.

At its August meeting, the Federal Open Market Committee (Fed) left the target Fed Funds rate remained unchanged at a range of 0% to 0.25% as it noted in its statement that economic growth has slowed. While the economy continues to show some positive signs, particularly in corporate earnings, concerns regarding the long term health of the economy continue. Although housing market may have bottomed out and is showing improvement in many areas of the country, some slowing has occurred since the end of certain homebuyer tax credits in April, and foreclosures remain very high. Unemployment continues to hinder economic growth (the August rate increased to 9.6%) and much of the job creation during the prior few months was from temporary census jobs, which have ended for the most part. Second quarter GDP growth was a modest

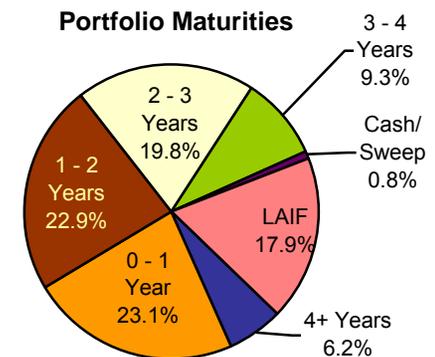
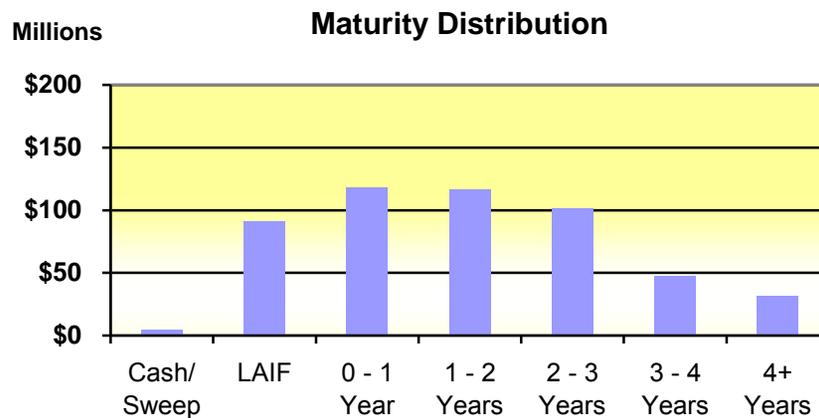
1.6%. The stock market remained volatile as the as the Dow Jones Industrial Average decreased 4.3% in August after increasing over 7% in July. The commercial real estate market also continues to be a concern. Most economists now expect only mild economic growth in 2011 and 2012.

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 will likely continue to decrease over the next few months, but the market continues to be volatile, so yields could vary on a month-to-month basis. More bonds will be called in the next few months as interest rates are expected to remain near record lows.

Investment earnings in August were \$0.5 million. Fiscal year-to-date earnings are down 53.6% from the same period last year.

Maturity Distribution

The weighted average days to maturity as of August 31, 2010 is 580 days (1.59 years), twenty days more 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, investments are being made primarily in maturities of three years or less as rates are not expected to begin a period of significant increase until at least 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 purchase most securities with the intent to hold them 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 August 31, 2010, the market value and the book value of the City’s pooled investments (excluding cash) are:

Market Value	\$	509,646,664.56
Book Value (purchase price)		508,339,672.72
Unrealized Gain/(Loss)	\$	1,306,991.84

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 \$50.5 million) should be sufficient to cover all costs related to construction of the facility and operations for the first three to four years. Construction is expected to be

complete by the end of 2010. The yield to maturity on these funds as of August 31, 2010 is 1.03%. On August 31, 2010, the portfolio showed an unrealized loss of \$338,340.96. The weighted average days-to-maturity was 153 days (0.42 years). Most investments are being held in very short maturity/low yield investments pending completion of construction of the treatment facility.

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 August 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:

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Money Market Sweep Fund												
SYS1	1	Blackrock Institutional Funds-		12/19/2006	26,344,063.41	26,344,063.41	26,344,063.41	0.040	0.039	0.040	1	
Subtotal and Average			26,346,063.43		26,344,063.41	26,344,063.41	26,344,063.41		0.039	0.040	1	
Corporate Notes												
61757UAA8	54	Morgan Stanley		04/13/2009	5,000,000.00	5,034,050.00	5,144,450.00	2.900	1.092	1.108	91	12/01/2010
Subtotal and Average			5,144,450.00		5,000,000.00	5,034,050.00	5,144,450.00		1.092	1.108	91	
Federal Agency Coupon Securities												
3133XGRD8	40	Federal Home Loan Bank		04/09/2008	3,000,000.00	3,011,250.00	3,176,010.00	5.125	2.621	2.657	28	09/29/2010
3137EAAB5	45	Federal Home Loan Mortgage Cor		04/16/2008	1,200,000.00	1,236,372.00	1,277,432.96	5.125	2.829	2.869	229	04/18/2011
3137EAAF6	42	Federal Home Loan Mortgage Cor		04/16/2008	4,200,000.00	4,383,750.00	4,497,570.00	5.250	2.910	2.950	320	07/18/2011
3133XT2T2	57	Federal Home Loan Bank		07/17/2009	5,000,000.00	5,126,550.00	5,087,600.00	2.250	1.529	1.550	527	02/10/2012
3128X8MS8	49	Federal Home Loan Mortgage Cor		03/02/2009	5,000,000.00	5,000,250.00	4,997,500.00	2.350	2.335	2.367	548	03/02/2012
Subtotal and Average			19,036,112.96		18,400,000.00	18,758,172.00	19,036,112.96		2.336	2.369	380	
Total and Average			50,526,626.39		49,744,063.41	50,136,285.41	50,524,626.37		1.012	1.026	153	

Portfolio Allocation as of 8/31/10

	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	\$135,357,100.91	\$8,263,610.00	\$143,620,710.91	25.6%	50.0%	Yes
Federal National Mortgage Association	104,750,209.72	0.00	104,750,209.72	18.7%	50.0%	Yes
Federal Home Loan Mortgage Corporation	47,751,664.44	10,772,502.96	58,524,167.40	10.4%	50.0%	Yes
Federal Farm Credit Bank	55,473,209.72	0.00	55,473,209.72	9.9%	50.0%	Yes
Total Federal Agency Securities	\$343,332,184.79	19,036,112.96	362,368,297.75	64.7%	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	13.6%	30.0%	Yes
Money Market Mutual Funds						
Columbia Money Market Reserves Advisor Class	2,905,417.30		2,905,417.30	0.5%	10.0%	Yes
BlackrockT-Find Cash Management Sweep		26,344,063.41	26,344,063.41	4.7%	10.0%	Yes
Total-Money Market Mutual Funds	\$2,905,417.30	\$26,344,063.41	\$29,249,480.71	5.2%	20.0%	Yes
State Local Agency Investment Fund-City	\$45,362,623.60		\$45,362,623.60	8.1%	\$50 million	Yes
State Local Agency Investment Fund-RDA	\$45,804,287.03		\$45,804,287.03	8.2%	\$50 million	Yes
Cash (3)	1,183,942.61		1,183,942.61	0.2%	None	Yes
Total (Book Value)	\$509,523,615.33	\$50,524,626.37	\$560,048,241.70	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 (\$2,798,387.14)
- (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

City Portfolio as of 8/31/10 (Book Value)

Security	Pooled Portfolio	MTBE Custodial Account	SM Water Treatment Facility Account	Total Portfolio	Credit Rating*	In 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

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