



# Information Item

**Date: February 21, 2012**

To: Mayor and City Council  
From: Gigi Decavalles-Hughes, Director of Finance/City Treasurer  
Subject: City Monthly Cash and Investment Report for December 2011

## **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 December 31, 2011.

## **Discussion**

The December 2011 Investment Report highlights changes from November. The value of cash and investments held in the pooled portfolio increased by \$38.5 million to \$619.5 million, primarily due to the first secured property tax remittance of the fiscal year from Los Angeles County. The pooled portfolio yield-to-maturity of 0.96% was ten basis points less than in November and twenty-two basis points less than one year earlier. Investment earnings for the month were \$0.9 million. Fiscal year-to-date earnings are down 9.4% from the same period last year. Interest rates have remained near record lows resulting in callable investments being called and reinvested in lower yielding investments. Current projections are that FY 2011-12 interest earnings (exclusive of year-end adjustments) will be similar to FY 2010-11 results. However, earnings could fall short of expectations without some modest upturn in interest rates.

In addition to the pooled portfolio, the City's total cash holdings as of December 31, 2011 included \$28.8 million in Charnock settlement-related funds held in an escrow account at Union Bank, \$147.7 million in debt proceeds held in trust with various fiscal agents, \$12.6 million in other funds held in trust, and \$54,022 in petty cash/change funds for a total

balance of \$808.6 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 to maturity of the portfolio. The book values of investments shown in this report are exclusive of amortization/accretion of premiums/discounts. As of December 31, 2011, the market value of the City's portfolio was about \$0.3 million greater than the book value.

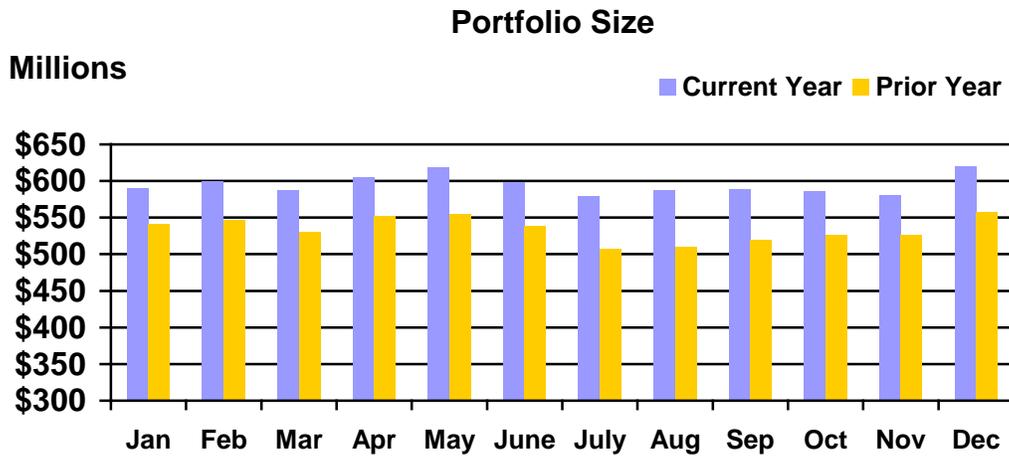
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer for the month of December 31, 2011.

Prepared by: David Carr, Treasury Administrator

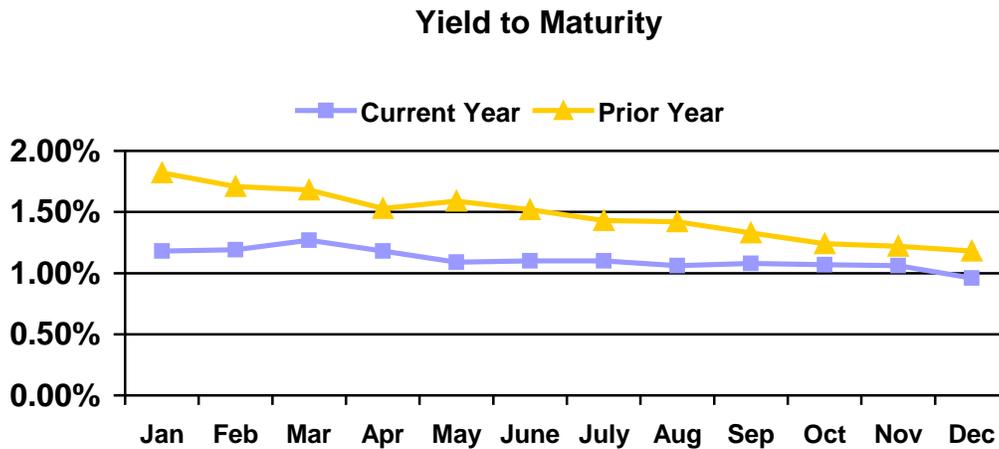
Attachments: 1 – Investment Highlights  
2 – Investment Report

# Investment Highlights

## December 31, 2011

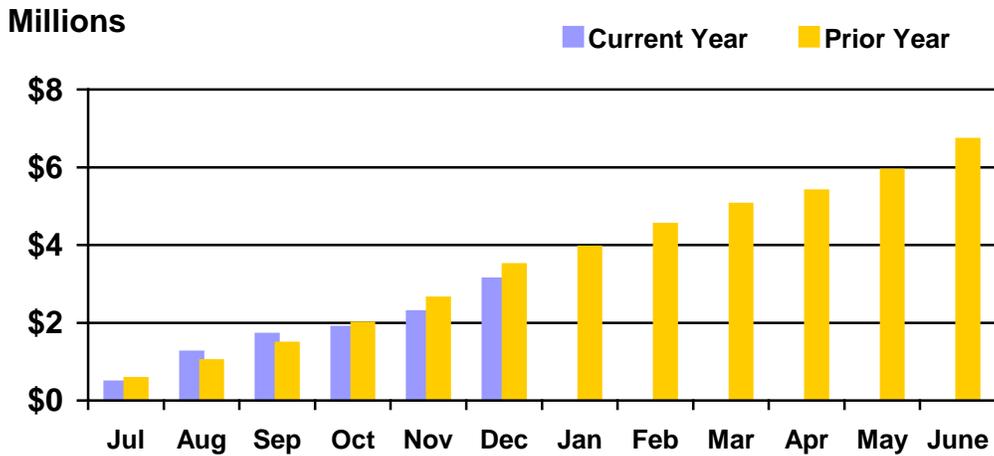


- As of December 31, the portfolio size is \$619.5 million, \$38.5 million more than in November and \$62.5 million greater than in December 2010.

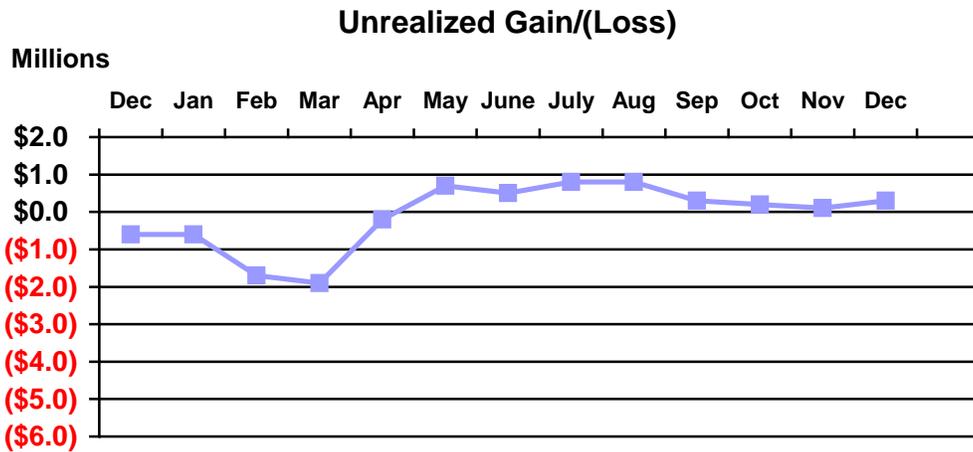


- As of December 31, yield to maturity is 0.96%.
- Decrease of ten basis points from November and twenty-two basis points from one year earlier.

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



- December fiscal year-to-date earnings were 9.4% less than for the same period one year earlier.



- The unrealized gain of \$0.3 million reported as of December 31, 2011 is the difference between market value and the unamortized book value (purchase price).



# Investment Report

## December

### 2011

Prepared by:  
Gigi Decavalles-Hughes, Acting Director of Finance/City Treasurer  
David R. Carr, Treasury Administrator

**City of Santa Monica  
Report of Public Monies Held by the City Treasurer  
As of December 31, 2011**

**Petty Cash/Change Funds** \$54,022.00

**Pooled Portfolio**

Bank of America (1)		
General Account	\$1,574,604.30	*
Columbia Money Market Sweep Account	\$37,041,400.62	*
Total Bank of America	\$38,616,004.92	
Bank of New York (BNY)		
Corporate Bonds - FDIC Insured	\$34,475,150.00	
Federal Agencies Securities	\$499,241,406.23	
Treasury Bills	\$0.00	
Total Bank of New York	\$533,716,556.23	
State of California Local Agency Investment Fund - RDA	\$17.57	
State of California Local Agency Investment Fund - City	\$47,133,561.60	
<b>Total Pooled Portfolio</b>		<b>\$619,466,140.32</b>

**Restricted Cash/Investments Held in Trust/Debt Proceeds**

Union Bank - Redevelopment Agency Term Loan	\$60,246,635.38	
Union Bank-Earthquake Recovery Redevelopment 2006		
Tax Allocation Refunding Bonds Series A & B	\$1,223,786.38	*
BNY-Library Improvement Project 2002 Series	\$294,531.25	*
BNY-Ocean Park Redevelopment Project 2002 Refunding	\$2,665,697.34	*
BNY-Parking Authority Lease Revenue Bonds 2002 Refunding	\$108,119.51	*
BNY-Public Safety Facility Bonds 2002 Series	\$2,302.95	*
BNY-Public Safety Facility Bonds 2009 Refunding	\$1,225,156.03	*
BNY-2011 Series A & B Bonds	\$34,086,008.23	*
U.S. Bank-Wastewater Enterprise Revenue Bonds-1993 Refunding	\$211,262.50	*
U.S. Bank-Wastewater Enterprise Revenue Bonds-2005 Refunding	\$1,901,107.25	*
Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds	\$3,604,339.23	*
Union Bank-RDA 2011 Tax Allocation Bonds	\$42,096,999.00	*
<b>Total Restricted Cash/Investments Held in Trust</b>		<b>\$147,665,945.05</b>

**Charnock Settlement Funds**

Union Bank (December 2006 Settlement)		
Money Market Funds	\$460,112.20	*
Federal Agencies Securities	\$28,342,835.84	*
Total Union Bank (December 2006 Settlement)	\$28,802,948.04	
<b>Total Charnock Settlement Funds</b>		<b>\$28,802,948.04</b>

**Other Restricted Funds/Funds Held in Trust**

Cemetery Perpetual Care Fund (3)	\$7,986,863.00	*
Mausoleum Perpetual Care Fund (3)	\$883,843.00	*
HUD Depository Account (4)	\$3,631,227.74	*
Public Agency Family Self Sufficiency Program (2)	\$99,140.64	*
<b>Total Other Funds Held in Trust</b>		<b>\$12,601,074.38</b>

**GRAND TOTAL** **\$808,590,129.79**

**City of Santa Monica**  
**Report of Public Monies Held by the City Treasurer**  
**As of December 31, 2011**

- (1) This is the actual bank account balance as of 12/31/11. 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\*  
December 31, 2011**

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

Cash and Investments - November 30, 2011	581,047,076.91
Receipts	81,250,265.48
Disbursements	(42,831,802.07)
Cash and Investments - December 31, 2011	\$619,466,140.32

\* Pooled portfolio only. Excludes certain investments held in trust by third parties

Gigi Decavalles-Hughes  
Acting Director of Finance/City Treasurer

**Overview**

As of December 31, 2011, total City cash and investments were \$808.6 million, a \$44.2 million increase from November. The pooled portfolio increased by \$38.5 million, primarily due to the first secured property tax remittance of the fiscal year from Los Angeles County. Restricted Cash/Investments Held in Trust increased by \$4.7 million reflecting the transfer of cash to trustees for January debt service payments. Total cash and investments are categorized as follows:

Petty Cash	\$	54,022.00
Pooled Investment Portfolio	\$	619,466,140.32
Restricted Cash/Investment Held in Trust	\$	147,665,945.05
Charnock Settlement Funds	\$	28,802,948.04
Other Funds Held in Trust	\$	12,601,074.38
Total	\$	<u>808,590,129.79</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.

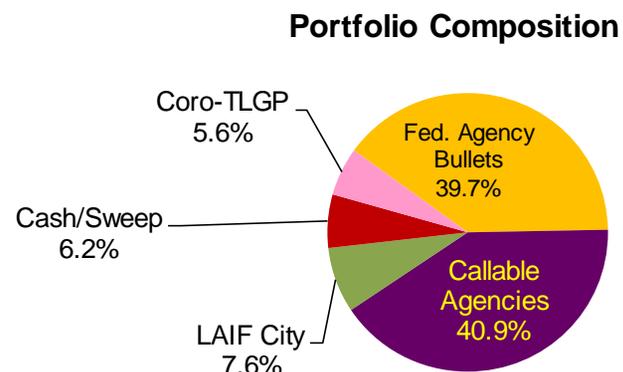
**Pooled Investment Portfolio**

As of December 31, 2011, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is \$619.5 million, a \$38.5 million decrease from November. 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. As noted above, the increase primarily reflects a large property tax remittance from Los Angeles County and is typical for the month of December. Twelve investments were made during the month (\$53.1 million), two investments matured (\$10.1 million), and seven investments were called (\$30.5 million). No investments were sold. The net total State Local Agency Investment Fund (LAIF) account balances were unchanged from November. The balance of the money market sweep account as of December month-end was \$37 million. The large balance reflects investments called in the last few days of the month. The balance will be significantly less at January month-end.

Details of the main portfolio follow.

**Portfolio Composition**

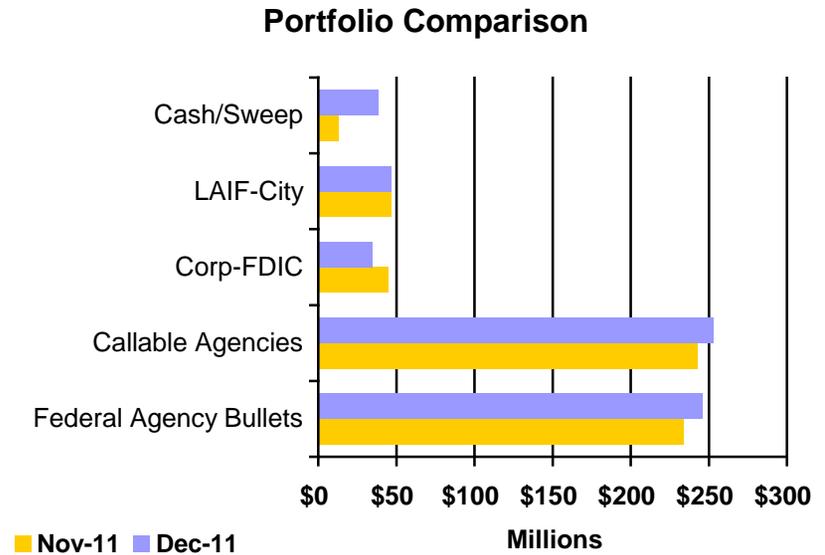
The portfolio is well-diversified and is in compliance with the City’s Investment Policy and applicable provisions of the State Government Code. The largest sector of the portfolio is Federal Agency Securities (80.6%). The remaining 19.4% is invested in the State Local Agency Investment Fund (7.6%); corporate notes (5.6%), 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 (6.2%). 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 Comparison**

The chart to the right shows the overall structure of the portfolio by type of investment compared to last month. There were no material changes in December other than a larger than normal cash/sweep balance at the end of the month reflecting investments called and matured at month-end. The City continues to hold a major balance in short term funds as interest rates remain at historic lows, and LAIF is still 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 December due to the low interest rate environment. As noted in previous reports, rebalancing opportunities will be evaluated when rates begin to show a consistent pattern of increase.

**City of Santa Monica  
Portfolio Management  
Portfolio Details - Investments  
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupon</b>												
31331JBL6	10921	Federal Farm Credit Bank		01/14/2010	5,000,000.00	5,005,550.00	5,003,900.00	1.100	728	1.060	11	01/12/2012
3133XWFP9	10930	Federal Home Loan Bank		02/04/2010	1,205,000.00	1,207,578.70	1,205,554.30	1.050	750	1.025	54	02/24/2012
3133XY6F7	10965	Federal Home Loan Bank		06/04/2010	5,000,000.00	5,010,600.00	5,011,150.00	1.000	634	0.866	58	02/28/2012
3133XWWW47	11003	Federal Home Loan Bank		10/06/2010	2,000,000.00	2,005,460.00	2,021,720.00	1.125	520	0.360	68	03/09/2012
31398AH54	11028	Federal National Mort Assoc		12/09/2010	5,000,000.00	5,015,550.00	5,032,150.00	1.000	482	0.510	94	04/04/2012
31331GVL0	10860	Federal Farm Credit Bank		05/07/2009	5,000,000.00	5,037,700.00	5,000,000.00	1.875	1,096	1.875	127	05/07/2012
3133MNVV0	10814	Federal Home Loan Bank		01/16/2009	5,000,000.00	5,127,700.00	5,620,170.41	5.750	1,215	1.880	135	05/15/2012
313375BU0	11131	Federal Home Loan Bank		08/17/2011	5,000,000.00	4,999,250.00	4,998,800.00	0.120	274	0.152	137	05/17/2012
3133XWKU2	10980	Federal Home Loan Bank		07/29/2010	5,000,000.00	5,030,650.00	5,058,750.00	1.375	680	0.737	159	06/08/2012
313374Z37	11121	Federal Home Loan Bank		07/25/2011	2,500,000.00	2,501,000.00	2,499,392.50	0.250	366	0.274	206	07/25/2012
3133XFP68	10946	Federal Home Loan Bank		03/26/2010	5,000,000.00	5,033,100.00	4,990,800.00	1.250	854	1.331	208	07/27/2012
3133_XWXJ3	10938	Federal Home Loan Bank		02/16/2010	4,000,000.00	4,026,800.00	4,000,000.00	1.250	895	1.250	211	07/30/2012
3133XWQ36	10999	Federal Home Loan Bank		09/30/2010	2,500,000.00	2,518,800.00	2,539,400.00	1.375	669	0.514	211	07/30/2012
31398AYM8	10911	Federal National Mort Assoc		12/04/2009	5,000,000.00	5,053,400.00	5,066,400.00	1.750	980	1.245	222	08/10/2012
3133XUE41	10906	Federal Home Loan Bank		11/19/2009	5,000,000.00	5,054,400.00	5,056,600.00	1.750	1,007	1.337	234	08/22/2012
3134G1GQ1	10981	Fed Home Loan Mortgage Corp		08/13/2010	2,500,000.00	2,514,650.00	2,514,900.00	1.000	746	0.668	240	08/28/2012
3133XUK93	10890	Federal Home Loan Bank		08/19/2009	5,000,000.00	5,068,650.00	5,007,335.75	2.000	1,122	1.951	257	09/14/2012
3133XUK93	10995	Federal Home Loan Bank		09/30/2010	2,500,000.00	2,534,325.00	2,571,200.00	2.000	715	0.534	257	09/14/2012
3134G1VG6	11001	Fed Home Loan Mortgage Corp		10/06/2010	3,000,000.00	3,011,100.00	3,006,600.00	0.625	755	0.509	303	10/30/2012
3136FPUC9	11015	Federal National Mort Assoc		11/23/2010	4,000,000.00	4,006,560.00	3,994,480.00	0.500	707	0.572	303	10/30/2012
3134G1WT7	11012	Fed Home Loan Mortgage Corp		11/16/2010	5,000,000.00	5,014,100.00	4,991,650.00	0.515	741	0.612	330	11/26/2012
3134G1WT7	11026	Fed Home Loan Mortgage Corp		12/08/2010	5,000,000.00	5,014,100.00	4,988,000.00	0.515	719	0.638	330	11/26/2012
3133XW7L7	11007	Federal Home Loan Bank		11/04/2010	4,000,000.00	4,053,240.00	4,092,600.00	1.500	804	0.441	381	01/16/2013
31331KAE0	11075	Federal Farm Credit Bank		01/19/2011	5,000,000.00	5,026,950.00	5,000,000.00	0.750	762	0.750	415	02/19/2013
31331JBV4	10929	Federal Farm Credit Bank		02/04/2010	2,500,000.00	2,540,900.00	2,502,800.00	1.750	1,113	1.709	417	02/21/2013
31359MQV8	10909	Federal National Mort Assoc		12/03/2009	5,000,000.00	5,270,200.00	5,496,750.00	4.750	1,176	1.570	417	02/21/2013
3133XWX87	10945	Federal Home Loan Bank		03/23/2010	2,000,000.00	2,033,680.00	2,003,100.00	1.750	1,081	1.696	432	03/08/2013
31331KNE6	11111	Federal Farm Credit Bank		06/23/2011	5,000,000.00	4,982,450.00	4,998,750.00	0.480	629	0.493	437	03/13/2013
31331GVD8	11085	Federal Farm Credit Bank		05/13/2011	2,000,000.00	2,050,520.00	2,061,180.00	2.200	696	0.581	463	04/08/2013
3137EACJ6	11095	Fed Home Loan Mortgage Corp		05/20/2011	3,000,000.00	3,052,950.00	3,062,100.00	1.625	696	0.530	470	04/15/2013
3137EABJ7	11153	Fed Home Loan Mortgage Corp		09/27/2011	4,000,000.00	4,187,720.00	4,211,120.00	3.500	610	0.332	514	05/29/2013
313376GT6	11166	Federal Home Loan Bank		11/30/2011	4,000,000.00	3,999,440.00	4,000,000.00	0.350	547	0.350	515	05/30/2013
3133XR5U0	10901	Federal Home Loan Bank		10/02/2009	5,000,000.00	5,254,100.00	5,312,250.00	3.750	1,351	1.990	530	06/14/2013
3133XYHDO	10962	Federal Home Loan Bank		05/28/2010	5,000,000.00	5,096,250.00	4,995,200.00	1.625	1,113	1.657	530	06/14/2013
3133XYHDO	11151	Federal Home Loan Bank		09/22/2011	3,940,000.00	4,015,845.00	4,030,029.00	1.625	631	0.298	530	06/14/2013
3133XXYX9	11150	Federal Home Loan Bank		09/22/2011	5,000,000.00	5,117,350.00	5,139,050.00	1.875	638	0.278	537	06/21/2013

Portfolio INVT  
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**City of Santa Monica  
Portfolio Management  
Portfolio Details - Investments  
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupon</b>												
313371AR7	10996	Federal Home Loan Bank		10/01/2010	2,500,000.00	2,514,750.00	2,501,475.00	0.750	1,001	0.730	544	06/28/2013
31331KQK9	11123	Federal Farm Credit Bank		07/22/2011	5,000,000.00	5,004,300.00	5,004,195.83	0.570	714	0.541	551	07/05/2013
3134G2BB7	11078	Fed Home Loan Mortgage Corp		04/05/2011	5,000,000.00	5,002,950.00	4,988,700.00	1.000	822	1.102	551	07/05/2013
31331KSF8	11114	Federal Farm Credit Bank		07/25/2011	4,000,000.00	4,003,040.00	4,000,000.00	0.550	731	0.550	571	07/25/2013
3134G2SQ6	11118	Fed Home Loan Mortgage Corp		07/26/2011	4,000,000.00	3,997,240.00	4,000,000.00	0.400	731	0.400	572	07/26/2013
31331KUY4	11141	Federal Farm Credit Bank		08/31/2011	3,000,000.00	2,993,070.00	2,995,540.00	0.250	719	0.330	596	08/19/2013
3136FJ4C2	10924	Federal National Mort Assoc		02/23/2010	5,000,000.00	5,017,400.00	5,000,000.00	2.000	1,277	2.000	600	08/23/2013
313372H64	11049	Federal Home Loan Bank		01/28/2011	2,200,000.00	2,222,638.00	2,200,000.00	1.000	943	1.000	605	08/28/2013
3133XUPZ0	10942	Federal Home Loan Bank		03/05/2010	3,000,000.00	3,117,840.00	3,076,230.00	2.625	1,288	1.876	621	09/13/2013
313370LB2	10982	Federal Home Loan Bank		08/13/2010	2,500,000.00	2,526,100.00	2,502,850.00	1.000	1,127	0.962	621	09/13/2013
3133747F1	11110	Federal Home Loan Bank		06/27/2011	5,000,000.00	5,007,600.00	5,000,000.00	0.700	823	0.700	635	09/27/2013
3137EACL1	11002	Fed Home Loan Mortgage Corp		10/06/2010	2,000,000.00	2,015,740.00	2,005,360.00	0.875	1,118	0.787	666	10/28/2013
3137EACL1	11011	Fed Home Loan Mortgage Corp		11/16/2010	4,000,000.00	4,031,480.00	4,007,200.00	0.875	1,077	0.814	666	10/28/2013
3137EACL1	11024	Fed Home Loan Mortgage Corp		12/08/2010	5,000,000.00	5,039,350.00	4,988,000.00	0.875	1,055	0.957	666	10/28/2013
3133XVWWW7	11048	Federal Home Loan Bank		01/25/2011	5,000,000.00	5,162,950.00	5,134,550.00	2.100	1,035	1.132	694	11/25/2013
31331KY53	11165	Federal Farm Credit Bank		11/29/2011	4,000,000.00	3,993,640.00	4,000,000.00	0.600	731	0.600	698	11/29/2013
3136FPEX1	10989	Federal National Mort Assoc		09/17/2010	2,500,000.00	2,530,078.00	2,500,000.00	1.125	1,187	1.125	716	12/17/2013
313370NL8	10990	Federal Home Loan Bank		08/27/2010	2,500,000.00	2,527,400.00	2,500,650.00	1.000	1,218	0.992	726	12/27/2013
3136FP3T2	11040	Federal National Mort Assoc		01/27/2011	5,000,000.00	5,001,800.00	5,000,000.00	0.750	1,096	0.750	757	01/27/2014
31398AVD1	10914	Federal National Mort Assoc		12/22/2009	5,000,000.00	5,234,650.00	5,092,600.00	2.750	1,506	2.276	766	02/05/2014
31331KCA6	11051	Federal Farm Credit Bank		02/10/2011	2,500,000.00	2,548,200.00	2,500,000.00	1.375	1,096	1.375	771	02/10/2014
31331GNA3	10937	Federal Farm Credit Bank		02/12/2010	4,000,000.00	4,223,560.00	4,117,520.00	3.000	1,461	2.228	773	02/12/2014
3134G2VD1	11143	Fed Home Loan Mortgage Corp		08/31/2011	3,000,000.00	3,002,580.00	3,007,007.50	0.750	908	0.660	785	02/24/2014
313372U93	11058	Federal Home Loan Bank		03/03/2011	5,000,000.00	5,099,100.00	5,000,000.00	1.400	1,093	1.400	789	02/28/2014
3135G0CP6	11178	Federal National Mort Assoc		12/21/2011	2,170,000.00	2,173,363.50	2,173,363.50	0.600	806	0.609	795	03/06/2014
31398AVZ2	11016	Federal National Mort Assoc		11/23/2010	3,000,000.00	3,147,870.00	3,175,080.00	2.750	1,206	0.952	802	03/13/2014
3134G2CL4	11094	Fed Home Loan Mortgage Corp		05/20/2011	5,000,000.00	5,093,150.00	5,042,750.00	1.350	1,075	1.054	849	04/29/2014
31331KKQ2	11090	Federal Farm Credit Bank		05/19/2011	5,000,000.00	5,062,500.00	5,012,850.00	1.150	1,089	1.062	862	05/12/2014
3134G2JV5	11099	Fed Home Loan Mortgage Corp		06/06/2011	2,500,000.00	2,509,150.00	2,500,000.00	1.250	1,096	1.250	887	06/06/2014
3133XWE70	11008	Federal Home Loan Bank		11/04/2010	4,000,000.00	4,193,080.00	4,237,120.00	2.500	1,317	0.829	894	06/13/2014
3136FRQJ5	11103	Federal National Mort Assoc		06/20/2011	5,000,000.00	5,019,400.00	5,000,000.00	1.170	1,096	1.170	901	06/20/2014
3134G3FL9	11169	Fed Home Loan Mortgage Corp		12/27/2011	5,000,000.00	5,000,000.00	5,000,000.00	0.650	913	0.650	908	06/27/2014
3134G3FG0	11176	Fed Home Loan Mortgage Corp		12/27/2011	5,000,000.00	5,000,000.00	5,000,000.00	0.650	913	0.650	908	06/27/2014
3636FRD59	11124	Federal National Mort Assoc		07/25/2011	5,000,000.00	5,003,906.00	5,000,000.00	1.125	1,096	1.125	936	07/25/2014
3136FP4G9	11045	Federal National Mort Assoc		01/27/2011	10,000,000.00	10,006,800.00	10,000,000.00	1.000	1,277	1.000	938	07/27/2014
31331KVP2	11134	Federal Farm Credit Bank		08/25/2011	5,000,000.00	4,987,750.00	5,000,000.00	0.750	1,096	0.750	967	08/25/2014

**City of Santa Monica  
Portfolio Management  
Portfolio Details - Investments  
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupon</b>												
3135G0BY8	11117	Federal National Mort Assoc		07/19/2011	4,000,000.00	4,016,960.00	3,997,920.00	0.875	1,136	0.890	970	08/28/2014
3136FRW74	11145	Federal National Mort Assoc		09/07/2011	3,000,000.00	2,993,790.00	3,000,260.42	0.625	1,091	0.625	975	09/02/2014
3135G0CU5	11138	Federal National Mort Assoc		09/12/2011	5,000,000.00	4,991,150.00	5,000,000.00	0.625	1,096	0.625	985	09/12/2014
3136FTCT4	11157	Federal National Mort Assoc		10/20/2011	3,000,000.00	3,002,250.00	3,000,000.00	0.600	1,096	0.600	1,023	10/20/2014
3136FRMX8	11088	Federal National Mort Assoc		05/24/2011	2,500,000.00	2,511,025.00	2,500,000.00	1.520	1,280	1.520	1,058	11/24/2014
3137EADA4	11179	Fed Home Loan Mortgage Corp		12/21/2011	2,500,000.00	2,497,442.01	2,497,442.01	0.625	1,104	0.662	1,093	12/29/2014
3134G2AK8	11070	Fed Home Loan Mortgage Corp		03/30/2011	5,000,000.00	5,019,850.00	5,000,000.00	2.020	1,371	2.020	1,094	12/30/2014
3134G2TJ1	11120	Fed Home Loan Mortgage Corp		07/26/2011	4,000,000.00	4,015,720.00	4,000,000.00	1.270	1,280	1.270	1,121	01/26/2015
3134G2TJ1	11122	Fed Home Loan Mortgage Corp		07/26/2011	5,000,000.00	5,019,650.00	5,000,000.00	1.270	1,280	1.270	1,121	01/26/2015
31331KU24	11170	Federal Farm Credit Bank		12/14/2011	5,000,000.00	5,003,281.25	5,003,281.25	0.875	1,161	0.875	1,143	02/17/2015
3136FR6N8	11148	Federal National Mort Assoc		09/30/2011	1,500,000.00	1,500,270.00	1,500,000.00	0.810	1,277	0.810	1,184	03/30/2015
3136FR6N8	11149	Federal National Mort Assoc		09/30/2011	3,500,000.00	3,500,630.00	3,500,000.00	0.810	1,277	0.810	1,184	03/30/2015
3134G23S9	11167	Fed Home Loan Mortgage Corp		11/30/2011	5,835,116.70	5,835,116.70	5,838,914.31	1.050	1,254	1.050	1,222	05/07/2015
31331KLE8	11086	Federal Farm Credit Bank		05/18/2011	2,500,000.00	2,565,500.00	2,501,250.00	1.600	1,461	1.587	1,233	05/18/2015
3136FRKZ5	11082	Federal National Mort Assoc		05/18/2011	5,000,000.00	5,005,800.00	5,000,000.00	0.850	1,461	0.850	1,233	05/18/2015
3134G3BM1	11164	Fed Home Loan Mortgage Corp		12/12/2011	5,000,000.00	4,997,500.00	4,997,500.00	1.020	1,278	1.035	1,258	06/12/2015
3136FRRB1	11108	Federal National Mort Assoc		06/22/2011	10,000,000.00	10,056,100.00	10,000,000.00	1.550	1,461	1.550	1,268	06/22/2015
3134G2V25	11154	Fed Home Loan Mortgage Corp		10/20/2011	5,000,000.00	4,993,150.00	5,000,000.00	1.000	1,369	1.000	1,296	07/20/2015
3136FRE41	11119	Federal National Mort Assoc		07/27/2011	4,000,000.00	4,007,800.00	4,000,000.00	1.550	1,461	1.550	1,303	07/27/2015
3136FRE41	11125	Federal National Mort Assoc		07/27/2011	5,000,000.00	5,009,750.00	5,000,000.00	1.550	1,461	1.550	1,303	07/27/2015
313375PT8	11147	Federal Home Loan Bank		09/19/2011	2,500,000.00	2,501,325.00	2,500,000.00	0.750	1,410	0.750	1,306	07/30/2015
31331KUU2	11142	Federal Farm Credit Bank		08/31/2011	3,000,000.00	3,002,700.00	3,001,166.67	1.000	1,447	0.999	1,324	08/17/2015
3136FRX40	11140	Federal National Mort Assoc		08/26/2011	9,000,000.00	8,962,290.00	9,000,000.00	1.000	1,461	1.000	1,333	08/26/2015
3136FPK2	10991	Federal National Mort Assoc		09/28/2010	5,000,000.00	5,005,800.00	5,000,000.00	1.000	1,826	1.000	1,366	09/28/2015
3136FTCL1	11156	Federal National Mort Assoc		10/26/2011	3,000,000.00	2,988,600.00	2,997,000.00	1.000	1,461	1.026	1,394	10/26/2015
3136FTDU0	11158	Federal National Mort Assoc		10/26/2011	5,000,000.00	4,999,650.00	5,000,000.00	1.125	1,461	1.125	1,394	10/26/2015
3134G23F7	11163	Fed Home Loan Mortgage Corp		11/22/2011	5,000,000.00	4,984,650.00	5,001,041.67	1.250	1,455	1.250	1,415	11/16/2015
31331J4J9	11020	Federal Farm Credit Bank		12/07/2010	2,000,000.00	2,055,300.00	2,000,000.00	1.740	1,826	1.740	1,436	12/07/2015
3136FTAK5	11152	Federal National Mort Assoc		09/28/2011	4,000,000.00	3,989,920.00	4,000,000.00	1.000	1,552	0.998	1,457	12/28/2015
3136FPY76	11129	Federal National Mort Assoc		08/11/2011	1,000,000.00	1,002,520.00	1,010,679.17	2.375	1,614	2.167	1,471	01/11/2016
3136FRS61	11136	Federal National Mort Assoc		09/07/2011	5,000,000.00	4,973,550.00	5,000,000.00	1.250	1,643	1.250	1,527	03/07/2016
31331KFK1	11073	Federal Farm Credit Bank		03/24/2011	1,155,000.00	1,154,069.05	1,153,845.00	2.440	1,827	2.461	1,544	03/24/2016
31331KYL8	11146	Federal Farm Credit Bank		09/14/2011	2,500,000.00	2,496,800.00	2,500,000.00	1.450	1,735	1.450	1,626	06/14/2016
3134G3EW6	11168	Fed Home Loan Mortgage Corp		12/30/2011	3,400,000.00	3,400,000.00	3,400,000.00	1.270	1,644	1.270	1,642	06/30/2016
3136FTWY1	11174	Federal National Mort Assoc		12/30/2011	5,000,000.00	5,000,000.00	5,000,000.00	1.150	1,644	1.150	1,642	06/30/2016
3134G2SS2	11113	Fed Home Loan Mortgage Corp		07/27/2011	4,000,000.00	4,007,880.00	4,000,000.00	1.750	1,827	1.750	1,669	07/27/2016

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**City of Santa Monica  
Portfolio Management  
Portfolio Details - Investments  
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency Coupon</b>												
3134G2YL0	11132	Fed Home Loan Mortgage Corp		08/24/2011	2,500,000.00	2,502,650.00	2,500,000.00	1.125	1,827	1.125	1,697	08/24/2016
3136FRQ71	11130	Federal National Mort Assoc		08/24/2011	2,500,000.00	2,492,225.00	2,500,000.00	1.450	1,827	1.450	1,697	08/24/2016
3136FRS38	11135	Federal National Mort Assoc		09/06/2011	5,000,000.00	4,981,950.00	5,000,000.00	1.400	1,827	1.400	1,710	09/06/2016
3136FRT37	11139	Federal National Mort Assoc		09/14/2011	5,000,000.00	5,000,050.00	5,000,000.00	1.050	1,827	1.050	1,718	09/14/2016
3136FR3Q4	11144	Federal National Mort Assoc		09/28/2011	5,000,000.00	4,978,800.00	5,000,000.00	1.320	1,827	1.320	1,732	09/28/2016
3135G0EN9	11159	Federal National Mort Assoc		10/28/2011	5,000,000.00	5,009,700.00	5,000,486.11	1.750	1,825	1.750	1,760	10/26/2016
3136FTQY8	11162	Federal National Mort Assoc		12/07/2011	5,000,000.00	5,000,000.00	5,000,000.00	1.250	1,827	1.250	1,802	12/07/2016
3136FTWG0	11172	Federal National Mort Assoc		12/28/2011	5,000,000.00	5,000,000.00	5,000,000.00	1.125	1,827	1.125	1,823	12/28/2016
<b>Subtotal and Average</b>			<b>467,770,073.93</b>		<b>473,905,000.00</b>	<b>477,540,208.21</b>	<b>477,247,710.40</b>		<b>1,150</b>	<b>1.070</b>	<b>852</b>	
<b>Federal Agency Discount</b>												
313588SD8	11128	Federal National Mort Assoc		08/11/2011	12,000,000.00	11,999,640.00	11,995,050.00	0.090	165	0.091	22	01/23/2012
313384UP2	11180	Federal Home Loan Bank		12/22/2011	5,000,000.00	4,999,750.00	4,999,750.00	0.020	90	0.020	80	03/21/2012
313396XL2	11181	Fed Home Loan Mortgage Corp		12/22/2011	5,000,000.00	4,998,895.83	4,998,895.83	0.050	159	0.051	149	05/29/2012
<b>Subtotal and Average</b>			<b>15,220,419.62</b>		<b>22,000,000.00</b>	<b>21,998,285.83</b>	<b>21,993,695.83</b>		<b>147</b>	<b>0.066</b>	<b>64</b>	
<b>Local Agency Investment Funds</b>												
SYS10090	10090	Local Agency Investment Fund			47,133,561.60	47,133,561.60	47,133,561.60	0.382	1	0.382	1	
<b>Subtotal and Average</b>			<b>47,133,561.60</b>		<b>47,133,561.60</b>	<b>47,133,561.60</b>	<b>47,133,561.60</b>		<b>1</b>	<b>0.382</b>	<b>1</b>	
<b>Columbia Money Market Fund</b>												
SYS10091	10091	Columbia Money Market Reserves		09/15/2006	37,041,400.62	37,041,400.62	37,041,400.62	0.010	1	0.010	1	
<b>Subtotal and Average</b>			<b>21,100,006.74</b>		<b>37,041,400.62</b>	<b>37,041,400.62</b>	<b>37,041,400.62</b>		<b>1</b>	<b>0.010</b>	<b>1</b>	
<b>Local Agency Investment Funds - RDA</b>												
SYS10092	10092	LAIF - RDA		03/17/2009	17.57	17.57	17.57	0.382	1	0.382	1	
<b>Subtotal and Average</b>			<b>17.57</b>		<b>17.57</b>	<b>17.57</b>	<b>17.57</b>		<b>1</b>	<b>0.382</b>	<b>1</b>	
<b>Corporate Bonds</b>												
9116OHAA5	10842	US Bank		03/13/2009	5,000,000.00	5,030,750.00	4,999,400.00	2.250	1,096	2.254	72	03/13/2012
17314AAF9	11116	Citigroup		07/19/2011	4,000,000.00	4,024,800.00	4,050,040.00	2.000	255	0.203	89	03/30/2012
06050BAA9	10808	Bank of America		01/20/2009	5,000,000.00	5,082,700.00	5,199,100.00	3.125	1,242	1.913	166	06/15/2012
38146FAA9	10816	Goldman Sachs		01/26/2009	5,000,000.00	5,084,000.00	5,206,850.00	3.250	1,236	1.984	166	06/15/2012
61757UAH3	10846	Morgan Stanley		04/13/2009	5,000,000.00	5,054,400.00	4,998,450.00	1.950	1,164	1.960	171	06/20/2012
17313YAG6	10895	Citigroup		08/28/2009	2,000,000.00	2,025,000.00	2,015,520.00	2.125	1,049	1.844	193	07/12/2012

**City of Santa Monica  
Portfolio Management  
Portfolio Details - Investments  
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
<b>Corporate Bonds</b>												
17313YAL5	10899	Citigroup		10/05/2009	3,000,000.00	3,047,370.00	3,011,940.00	1.875	1,113	1.741	295	10/22/2012
481247AM6	10847	JP Morgan Chase		04/13/2009	5,000,000.00	5,108,200.00	4,993,850.00	2.125	1,353	2.160	360	12/26/2012
		<b>Subtotal and Average</b>	<b>38,256,551.61</b>		<b>34,000,000.00</b>	<b>34,457,220.00</b>	<b>34,475,150.00</b>		<b>1,086</b>	<b>1.796</b>	<b>185</b>	
		<b>Total and Average</b>	<b>589,480,631.07</b>		<b>614,079,979.79</b>	<b>618,170,693.83</b>	<b>617,891,536.02</b>		<b>954</b>	<b>0.959</b>	<b>671</b>	

**City of Santa Monica  
Portfolio Management  
Activity By Type  
December 1, 2011 through December 31, 2011**

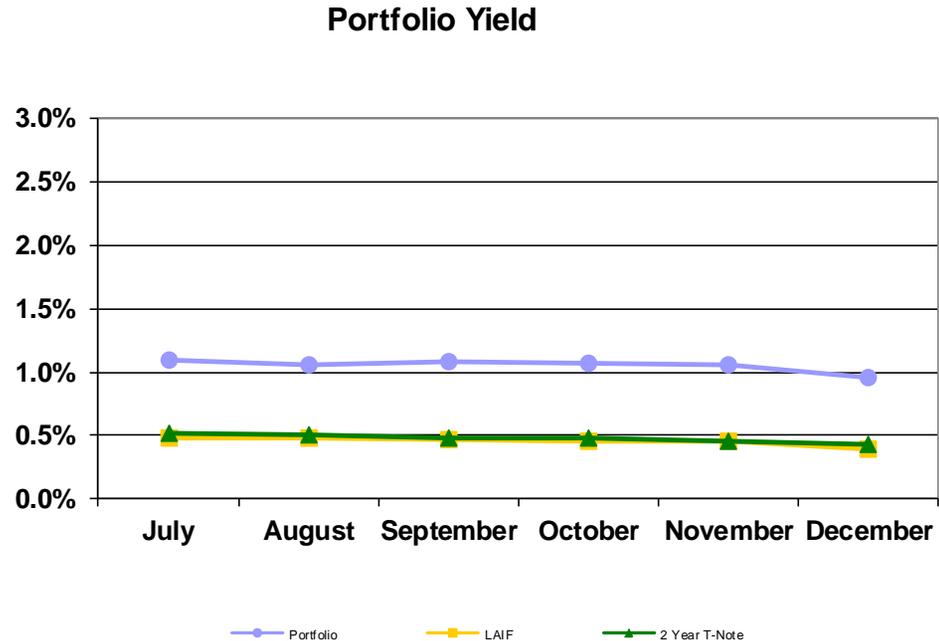
CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>Federal Agency Coupon</b>							
31331KU24	11170	Federal Farm Credit Bank	0.875	12/14/2011	5,000,000.00	0.00	
313371YA8	11018	Federal Home Loan Bank	1.200	12/27/2011	0.00	2,500,000.00	
313371YB6	11022	Federal Home Loan Bank	1.300	12/23/2011	0.00	2,500,000.00	
313373WB4	11091	Federal Home Loan Bank	0.700	12/09/2011	0.00	2,500,000.00	
3134G2HP0	11089	Fed Home Loan Mortgage Corp	1.300	12/02/2011	0.00	2,500,000.00	
3134G2JZ6	11100	Fed Home Loan Mortgage Corp	1.450	12/15/2011	0.00	2,500,000.00	
3134G2HU9	11102	Fed Home Loan Mortgage Corp	1.000	12/09/2011	0.00	2,503,000.00	
3134G3BM1	11164	Fed Home Loan Mortgage Corp	1.020	12/12/2011	4,997,500.00	0.00	
3134G3EV6	11168	Fed Home Loan Mortgage Corp	1.270	12/30/2011	3,400,000.00	0.00	
3134G3FL9	11169	Fed Home Loan Mortgage Corp	0.650	12/27/2011	5,000,000.00	0.00	
3134G3FG0	11176	Fed Home Loan Mortgage Corp	0.650	12/27/2011	5,000,000.00	0.00	
3137EADA4	11179	Fed Home Loan Mortgage Corp	0.625	12/21/2011	2,497,225.00	0.00	
3136FREA7	11069	Federal National Mort Assoc	2.000	12/21/2011	0.00	5,000,000.00	
3136FRTW3	11109	Federal National Mort Assoc	1.100	12/30/2011	0.00	5,000,000.00	
3136FRTD5	11112	Federal National Mort Assoc	1.500	12/30/2011	0.00	5,000,000.00	
3136FTQY8	11162	Federal National Mort Assoc	1.250	12/07/2011	5,000,000.00	0.00	
3136FTWG0	11172	Federal National Mort Assoc	1.125	12/28/2011	5,000,000.00	0.00	
3136FTWY1	11174	Federal National Mort Assoc	1.150	12/30/2011	5,000,000.00	0.00	
3135G0CP6	11178	Federal National Mort Assoc	0.600	12/21/2011	2,169,566.00	0.00	
		<b>Subtotal</b>			<b>43,064,291.00</b>	<b>30,003,000.00</b>	<b>477,247,710.40</b>
<b>Federal Agency Discount</b>							
313384UP2	11180	Federal Home Loan Bank	0.020	12/22/2011	4,999,750.00	0.00	
313396XL2	11181	Fed Home Loan Mortgage Corp	0.050	12/22/2011	4,998,895.83	0.00	
		<b>Subtotal</b>			<b>9,998,645.83</b>	<b>0.00</b>	<b>21,993,695.83</b>
<b>Local Agency Investment Funds (Monthly Summary)</b>							
		<b>Subtotal</b>					<b>47,133,561.60</b>
<b>Columbia Money Market Fund (Monthly Summary)</b>							
SYS10091	10091	Columbia Money Market Reserves	0.010		69,808,075.57	44,028,566.54	
		<b>Subtotal</b>			<b>69,808,075.57</b>	<b>44,028,566.54</b>	<b>37,041,400.62</b>
<b>Local Agency Investment Funds - RDA (Monthly Summary)</b>							
		<b>Subtotal</b>					<b>17.57</b>

**City of Santa Monica  
Portfolio Management  
Activity By Type  
December 1, 2011 through December 31, 2011**

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>Corporate Bonds</b>							
4042EPAA5	10823	HSBC	3.125	12/16/2011	0.00	5,151,350.00	
949744AA4	10790	Wells Fargo Bank	3.000	12/09/2011	0.00	4,994,150.00	
		<b>Subtotal</b>			<b>0.00</b>	<b>10,145,500.00</b>	<b>34,475,150.00</b>
		<b>Total</b>			<b>122,871,012.40</b>	<b>84,177,066.54</b>	<b>617,891,536.02</b>

**Portfolio Yield**

The portfolio yield-to-maturity was 0.96% as of November 30, 2011, down ten (10) basis points from November and twenty-two (22) basis points from December 2010. The yield is now the lowest for which records are available as the extended record low interest rate environment continues to affect portfolio returns. This month's yield is four hundred fourteen (414) basis points below the most recent high mark of 5.1% in September 2007. 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.



Overall, interest rates in the two to five year maturity range slightly decreased in December after remaining relatively flat the last two months and remain near the record lows reached last year. The twelve month moving average CMT fell three (3) basis points in December and is now four hundred thirty-one (431) basis points off its February 2007 high. Rates are now expected to remain relatively low at least through 2013. LAIF rates also continue to reflect the low interest rate environment. The twelve month moving average LAIF yield remained at its record low level of 0.45% in December, and has not shown a monthly increase since September 2007. The monthly LAIF yield for December was 0.39%, only one basis point more than the lowest month on record.

At its December meeting, the Federal Open Market Committee (Fed) left the target Fed Funds rate unchanged at a range of 0% to 0.25%. The Fed noted that although economic activity, including the labor market, has been showing signs of improvement, there are still weaknesses in the economy, particularly in the housing market. Based on this, the Fed policy statements continue to indicate that they intend to keep rates at low levels for an extended time period, at least through mid-

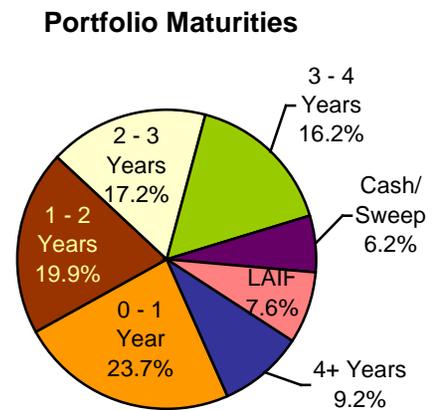
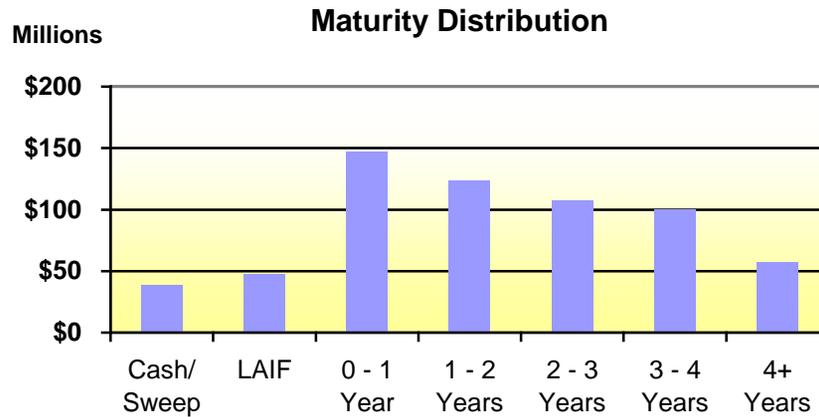
2013. Preliminary fourth quarter GDP growth was 2.8%, below the expectations of most economist. A recent Bloomberg survey of economists predicted modest growth of 2.1% and 2.5% in 2012 and 2013 respectively. The housing market continues weak, but the labor market has shown signs of recovery. The December unemployment rate fell to 8.5%, the fourth consecutive monthly decrease, and new jobs were added to the work force. The stock market showed a slight increase in December as the Dow Jones Industrial Average gained by 1.4%. The European economic situation is still a concern.

The City’s portfolio yield-to-maturity has decreased significantly over the last four 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 should remain relatively stable over the next few months. More bonds will be called in the next few months as interest rates are expected to remain near historic lows. Eventually the portfolio yield will begin to fall if some uptick in rates does not occur in 2012.

Investment earnings in December were \$0.9 million. Fiscal year-to-date earnings are down 9.4% from the same period last year. For the entire fiscal year, current projections are that investment earnings will be similar to last fiscal year, but a decrease is possible if rates don’t begin to show at least a modest upward trend.

**Maturity Distribution**

The weighted average days to maturity as of December 31, 2011 is 671 days (1.84 years), fourteen twenty days less than the prior month. The rate environment continues to result in bonds being called, and the portfolio’s average days to maturity may vary over the next several months. Investments continue to be made primarily in maturities of three years or less as rates are not expected to



begin a period of significant increase until a number of months in the future. However, since most of the bonds being called have longer maturities, some bonds of longer maturities are being purchased to replace the called bonds and maintain appropriate diversification in the portfolio.

**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 December 31, 2011, the market value and the book value of the City’s pooled investments (excluding cash) are:

Market Value	\$	618,170,693.83
Book Value (purchase price)		617,891,536.02
		279,157.81
Unrealized Gain/(Loss)	\$	279,157.81

**Charnock Settlement**

All remaining restricted settlement funds are now held in an escrow account with Union Bank and being used to pay for the 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 \$28.8 million) should be sufficient to cover costs related to operations for the first three to four years. The plant has been operational since the beginning of 2011. In October, most of the funds were moved out of the money market fund and invested in higher yielding securities to match anticipated cash flow needs. The yield to maturity on these funds as of December 31, 2011 is 0.53%. On December 31, 2011, the portfolio showed an unrealized loss of \$132,375.84. The weighted average days-to-maturity was 352 days (0.96 years). Most investments are being held in relatively short maturity/low yield investments.

### **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 December 31, 2011. 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  
December 31, 2011**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
<b>Money Market Sweep Fund</b>												
SYS1	1	Blackrock Institutional Funds-		12/19/2006	460,112.20	460,112.20	460,112.20	0.010	0.010	0.010	1	
<b>Subtotal and Average</b>			<b>425,515.43</b>		<b>460,112.20</b>	<b>460,112.20</b>	<b>460,112.20</b>		<b>0.010</b>	<b>0.010</b>	<b>1</b>	
<b>Federal Agency Coupon Securities</b>												
3133XT2T2	57	Federal Home Loan Bank		07/17/2009	5,000,000.00	5,010,950.00	5,087,600.00	2.250	1.529	1.550	40	02/10/2012
313375XD4	64	Federal Home Loan Bank		10/25/2011	5,000,000.00	5,001,750.00	5,000,000.00	0.300	0.296	0.300	298	10/25/2012
3137EACG2	63	Federal Home Loan Mortgage Cor		10/04/2011	6,000,000.00	6,069,240.00	6,086,609.17	1.375	0.301	0.305	374	01/09/2013
3134G1VX9	62	Federal Home Loan Mortgage Cor		10/03/2011	6,000,000.00	6,030,600.00	6,062,486.67	0.800	0.355	0.360	474	04/19/2013
31331JPK3	65	Federal Farm Credit Bank		10/04/2011	6,000,000.00	6,097,920.00	6,106,140.00	1.375	0.341	0.345	541	06/25/2013
<b>Subtotal and Average</b>			<b>28,361,864.07</b>		<b>28,000,000.00</b>	<b>28,210,460.00</b>	<b>28,342,835.84</b>		<b>0.541</b>	<b>0.548</b>	<b>358</b>	
<b>Total and Average</b>			<b>28,787,379.49</b>		<b>28,460,112.20</b>	<b>28,670,572.20</b>	<b>28,802,948.04</b>		<b>0.532</b>	<b>0.540</b>	<b>352</b>	

Federal Home Loan Bank	\$119,805,726.96	\$10,087,600.00	\$129,893,326.96	20.0%	50.0%	Yes
Federal National Mortgage Association	190,532,219.20	0.00	190,532,219.20	29.4%	50.0%	Yes
Federal Home Loan Mortgage Corporation	115,547,181.32	12,149,095.84	127,696,277.16	19.7%	50.0%	Yes
Federal Farm Credit Bank	73,356,278.75	6,106,140.00	79,462,418.75	12.3%	50.0%	Yes
<b>Total Federal Agency Securities</b>	<b>\$499,241,406.23</b>	<b>28,342,835.84</b>	<b>527,584,242.07</b>	<b>81.4%</b>	<b>n/a</b>	<b>Yes</b>
<b>Corporate Bonds</b>						
Corporate Bonds - TGLP (FDIC Insured)	\$34,475,150.00	\$0.00	34,475,150.00			
Corporate Bonds - Other	\$0.00		0.00			
<b>Total Corporate Bonds</b>	<b>\$34,475,150.00</b>	<b>\$0.00</b>	<b>\$34,475,150.00</b>	<b>5.3%</b>	<b>30.0%</b>	<b>Yes</b>
<b>Money Market Mutual Funds</b>						
Columbia Money Market Reserves Advisor Class	37,041,400.62		37,041,400.62	5.7%	10.0%	Yes
BlackrockT-Find Cash Management Sweep		460,112.20	460,112.20	0.1%	10.0%	Yes
<b>Total-Money Market Mutual Funds</b>	<b>\$37,041,400.62</b>	<b>\$460,112.20</b>	<b>\$37,501,512.82</b>	<b>5.8%</b>	<b>20.0%</b>	<b>Yes</b>
<b>State Local Agency Investment Fund-City</b>	<b>\$47,133,561.60</b>		<b>\$47,133,561.60</b>	<b>7.3%</b>	<b>\$50 million</b>	<b>Yes</b>
<b>State Local Agency Investment Fund-RDA</b>	<b>\$17.57</b>		<b>\$17.57</b>	<b>0.0%</b>	<b>\$50 million</b>	<b>Yes</b>
<b>Cash (3)</b>	<b>1,574,604.30</b>		<b>1,574,604.30</b>	<b>0.2%</b>	<b>None</b>	<b>Yes</b>
<b>Total (Book Value)</b>	<b>\$619,466,140.32</b>	<b>\$28,802,948.04</b>	<b>\$648,269,088.36</b>	<b>100.00%</b>		

**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 (\$3,631,227.74)
- (4) Value used to test compliance is reported value (book value plus unrealized purchased interest).

**Credit Ratings - Corporate Medium Term Notes**

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

**City Portfolio as of 12/31/11 (Book Value)**

Security	Pooled Portfolio	MTBE Custodial Account	SM Water Treatment Facility Account	Total Portfolio	Credit Rating*	In Compliance (Yes/No)
<b>Corporate - TLGP (FDIC Guaranteed)</b>						
Bank of America 3.125% (TLGP) 6/15/2012	\$5,199,100.00			\$5,199,100.00	AAA	Yes
Goldman Sachs 3.25% (TLGP) 6/15/2012	\$5,206,850.00			\$5,206,850.00	AAA	Yes
JP Morgan Chase 2.125% (TLGP) maturing 12/26/12	\$4,993,850.00			\$4,993,850.00	AAA	Yes
Morgan Stanley 1.95% (TLGP) maturing 6/20/12	\$4,998,450.00			\$4,998,450.00	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 2% (TLGP) maturing 3/30/12	\$4,050,040.00			\$4,050,040.00	AAA	Yes
Citigroup 1.875% (TLGP) maturing 10/22/12	\$3,011,940.00			\$3,011,940.00	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.

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Gigi Decavalles-Hughes, Director of Finance/City Treasurer