



# Information Item

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**Date: September 22, 2014**

To: Mayor and City Council  
From: Gigi Decavalles-Hughes, Director of Finance/City Treasurer  
Subject: City Monthly Cash and Investment Report for June 2014

## **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 June 30, 2014.

## **Discussion**

The June 2014 Cash and Investment Report provides an updated review of the City's investment portfolio and cash position. The value of cash and investments held in the pooled portfolio remained relatively flat in June, showing only a \$2.2 million increase from the prior month (0.3%) to \$678.0 million. The pooled portfolio yield-to-maturity of 0.70% is three basis points higher than the prior month and ten basis points higher than in June 2013. Net investment earnings were \$0.3 million. Investment earnings on a cash basis ended the year 5% less than last year. The extended low interest rate environment continues to limit investment returns. Additionally, a significant portion of new investments continue to be made in securities with very short maturities and low yields pending final resolution of RDA dissolution.

In addition to the pooled portfolio, the City's total cash holdings as of June 30, 2014 included \$30 million in debt proceeds held in trust with various fiscal agents, \$28.6 million in other funds held in trust, and \$28,947 in petty cash/change funds for a total balance of \$736.7 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 June 30, 2014, the market value of the City's portfolio was approximately \$0.6 million less than the book value.

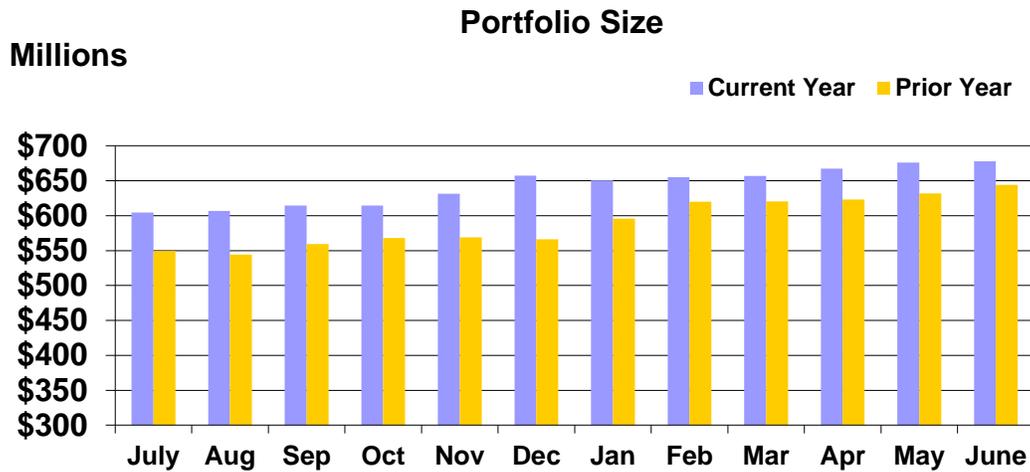
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer as of June 30, 2014.

Prepared by: David Carr, Assistant City Treasurer

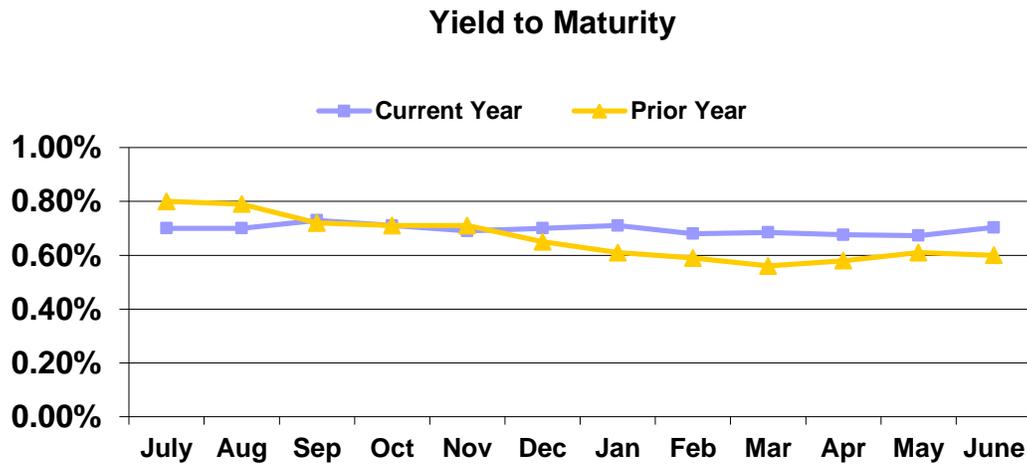
Attachments: 1 – Investment Highlights  
2 – Investment Report

# Investment Highlights

## June 30, 2014

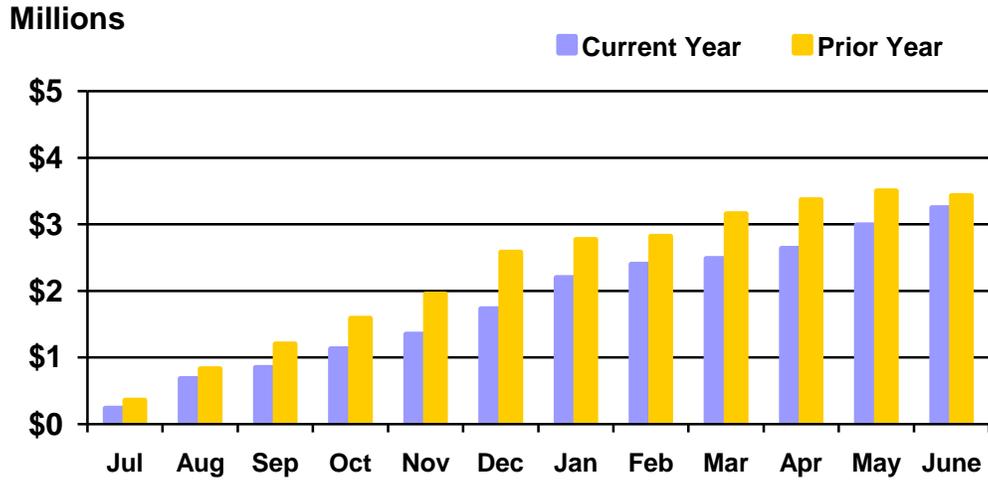


- As of June 30, 2014, the portfolio size is \$678.0 million, \$2.2 million more than in the prior month and \$34.0 million more than one year earlier.

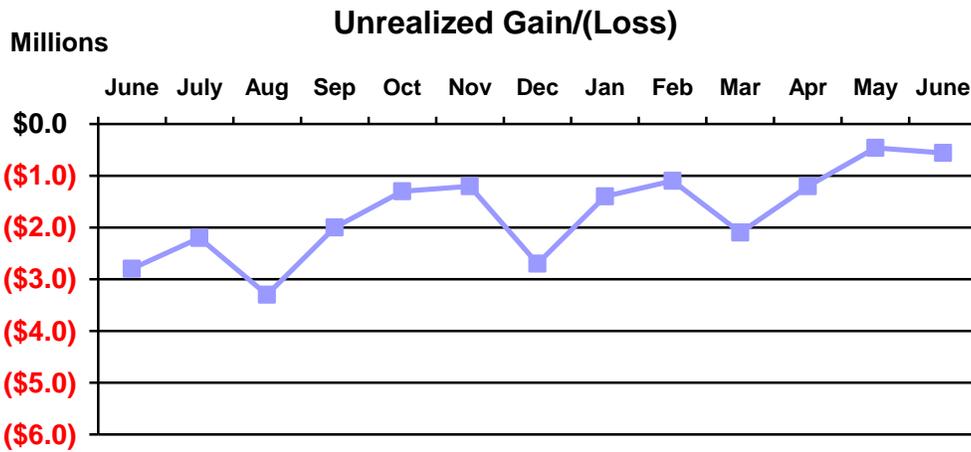


- As of June 30, 2014, yield to maturity is 0.70%.
- Up three basis points from the prior month and up 10 basis points from one year earlier.

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



- FY 2013-14 earnings (cash basis) were 5% less than in FY 2012-13.



- As of June 30, 2014, the market value is about \$0.6 million less than the unamortized book value (purchase price).



# Investment Report

## June 30, 2014

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

**City of Santa Monica**  
**Cash Receipts, Disbursements and Cash Balances**  
**June 30, 2014**

|  |                         |                         |
|--|-------------------------|-------------------------|
| <b>Petty Cash/Change Funds</b>                                       |                         | \$28,947.00             |
| <b>Pooled Portfolio</b>  |                         |                         |
| Wells Fargo Bank (1)   | \$109,109,647.37        |                         |
| Bank of New York (BNY)   |                         |                         |
| Corporate Bonds  | \$75,495,265.12         |                         |
| Treasury Bills   | \$0.00                  |                         |
| State of California Bonds  | \$3,027,915.00          |                         |
| Federal Agencies Securities  | \$440,882,868.27        |                         |
| Total Bank of New York   | <u>\$519,406,048.39</u> |                         |
| State of California Local Agency Investment Fund - City              | <u>\$49,500,055.66</u>  |                         |
| <b>Total Pooled Portfolio</b>  |                         | <b>\$678,015,751.42</b> |
| <b>Restricted Cash/Investments Held in Trust/Debt Proceeds</b>       |                         |                         |
| Union Bank - Redevelopment Agency Term Loan                          | \$12,249,483.89         |                         |
| Union Bank-Earthquake Recovery Redevelopment 2006                    |                         |                         |
| Tax Allocation Refunding Bonds Series A & B                          | \$3,336,348.88          |                         |
| Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds     | \$4,634,687.69          |                         |
| Union Bank-RDA 2011 Tax Allocation Bonds                             | \$3,393,625.34          |                         |
| BNY-2011 Parking Structure Series A & B                              | \$0.00                  |                         |
| BNY-Library Improvement Project 2012 Refunding                       | \$13,517.79             |                         |
| BNY-Ocean Park Redevelopment Project 2002 Refunding                  | \$3,403,837.90          |                         |
| BNY-Parking Authority Lease Revenue Bonds 2002 Refunding             | \$1,064,060.13          |                         |
| BNY-Public Safety Facility Bonds 2009 Refunding                      | \$1,943,097.85          |                         |
| U.S. Bank-Wastewater Enterprise Revenue Bonds-2012 Refunding         | \$1.19                  |                         |
| U.S. Bank-Wastewater Enterprise Revenue Bonds-2005 Refunding         | <u>\$0.00</u>           |                         |
| <b>Total Restricted Cash/Investments Held in Trust</b>               |                         | <b>\$30,038,660.66</b>  |
| <b>Other Restricted Funds/Funds Held in Trust</b>                    |                         |                         |
| Cemetery Perpetual Care Fund (3)                                     | \$10,279,952.00         |                         |
| Mausoleum Perpetual Care Fund (3)                                    | \$1,181,951.00          |                         |
| Santa Monica Redevelopment Successor Agency RPTTF-Wells Fargo        | \$8,492,876.22          |                         |
| Wells Fargo Bank - HUD Depository Account (4)                        | \$1,477,780.25          |                         |
| Wells Fargo Bank - Payroll Account                                   | \$148,036.64            |                         |
| First Republic Bank - Keysor Marston Escrow                          | \$1,930.99              |                         |
| Wells Fargo Bank - High Place West Escrow                            | \$19.92                 |                         |
| Wells Fargo Bank -RDA Successor Agency - OP Special Fund             | \$5,353,601.54          |                         |
| Union Bank - W.E. O'Neil Direct Owner Costs PGW Escrow               | \$1,478,582.23          |                         |
| Union Bank - Morley Direct Owner Costs Civic Escrow                  | \$59,974.12             |                         |
| Wells Fargo Bank - Public Agency Family Self Sufficiency Program (2) | <u>\$161,934.75</u>     |                         |
| <b>Total Other Funds Held in Trust</b>                               |                         | <b>\$28,636,639.66</b>  |
| <b>GRAND TOTAL</b>   |                         | <b>\$736,719,998.74</b> |

**City of Santa Monica**  
**Cash Receipts, Disbursements and Cash Balances**  
**June 30, 2014**

- (1) These are the actual bank account balances as of 6/30/2014. They only reflect 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. Housing Authority and Parking Authority Funds are 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.

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

|                                     |                 |
|-------------------------------------|-----------------|
| Cash and Invesments - May 31, 2014  | 675,801,772.21  |
| Receipts                            | 51,927,491.62   |
| Disbursements                       | (49,713,512.41) |
| Cash and Investments -June 30, 2014 | 678,015,751.42  |

Pooled porfolio only. Excludes certain investments held in trust by third parties such as bond proceeds, perpetual care funds, and other escrow accounts.  
Also excludes payroll account.

Gigi Decavalles-Hughes  
Director of Finance/City Treasurer

**City of Santa Monica**  
**Cash Receipts, Disbursements and Cash Balances**  
**June 30, 2014**

**Overview**

As of June 30, 2014, total City cash and investments (including cash held for the Successor Agency to the Redevelopment Agency) were \$736.7 million, a \$5.6 million increase from the prior month. Other Restricted Funds/Funds Held in Trust increased by \$3.6 million, primarily due to receipt of semi-annual Successor Agency RPTTF funds from Los Angeles County. The pooled portfolio increased by \$2.2 million. Total cash and investments are categorized as follows:

|  |                          |
|--|--------------------------|
| Petty Cash/Change Funds                  | \$ 28,947.00             |
| Pooled Investment Portfolio              | \$ 678,015,751.42        |
| Restricted Cash/Investment Held in Trust | \$ 30,038,660.66         |
| Other Funds Held in Trust                | <u>\$ 28,636,639.66</u>  |
| Total                                    | <u>\$ 736,719,998.74</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
- 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

**City of Santa Monica**  
**Cash Receipts, Disbursements and Cash Balances**  
**June 30, 2014**

- 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**

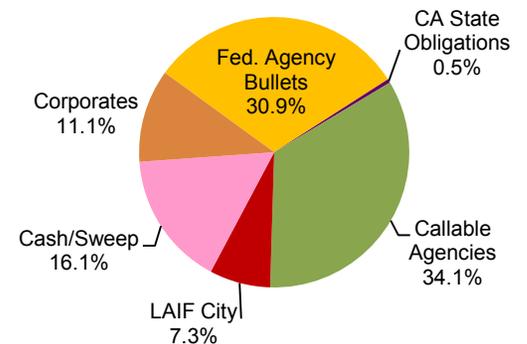
As of June 30, 2014, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is \$678.0 million, \$2.2 million more than in the prior month. Since the City holds most investments to maturity, variations in portfolio book value are typically due to receipt and expenditure 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 (\$27.6 million), five investments matured (\$23.4 million), one investment was sold (\$3.0 million), and four investments were called (\$10.0 million). The State Local Agency Investment Fund (LAIF) account balance remained unchanged. Cash held at Wells Fargo Bank was \$109.1 million as of month-end. Funds on deposit with Wells Fargo earn a net 0.0725%, earnings from which are used as a credit against monthly banking expenses. The large cash was held, in large part, to cover several large July expenditures for CalPERS prepayment and the RDA settlement payment.

Details of the main portfolio follow.

**Portfolio Composition**

The portfolio is appropriately 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 (65.0%). The remaining 35.0% includes the State Local Agency Investment Fund (7.3%); corporate bonds (11.1%), CA State Obligations (0.5%), and cash (16.1%). 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.

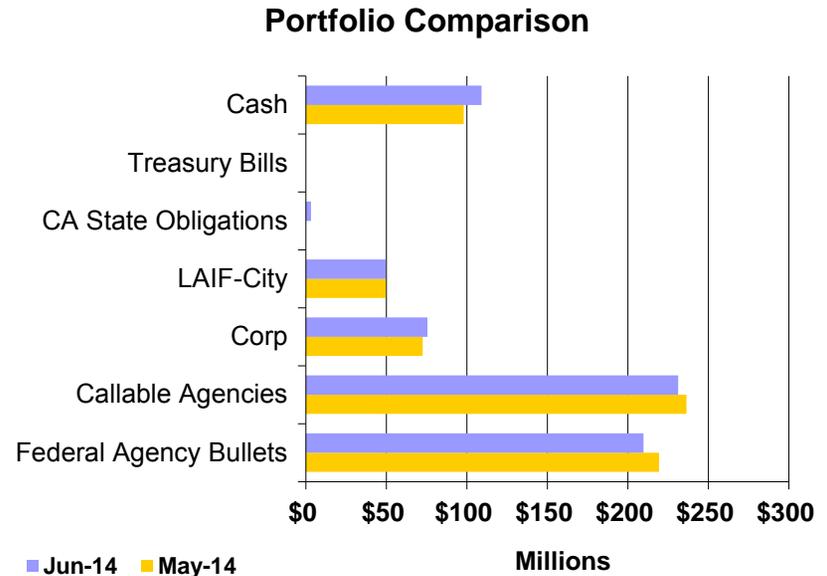
**Portfolio Composition**



**City of Santa Monica  
Cash Receipts, Disbursements and Cash Balances  
June 30, 2014**

**Portfolio Comparison**

The chart to the right shows the overall structure of the portfolio by type of investment compared to last month. There were no significant changes in June. A large portion of the portfolio has been kept very liquid reflecting continuing uncertainty regarding the impact of RDA dissolution on cash flow needs. In late October, the City, RDA Successor Agency, the State Department of Finance and the State Controller’s Office entered in a settlement agreement, which has reduced some of the uncertainty. However, the City is still awaiting the results of the State Controller’s audit. The City continues to hold a significant portion of the remainder of the portfolio in short term funds as interest rates remain near historic lows. The bond market, financial and economic conditions, and portfolio structure are continuously evaluated when making investment decisions.



**Rebalancing of Portfolio**

As noted in the May report, the City has begun implementing revisions to the investment strategy that are intended to increase portfolio returns with minimal increase in risk. While it will take some time to fully implement the new strategy, some initial steps have been taken. One of the changes is the approach to portfolio rebalancing. Staff has expanded the parameters of rebalancing to look for opportunities to improve portfolio performance even in these times of low and relatively stable interest rates. In June, one rebalancing opportunity was exercised where a Federal Agency security was sold and the proceeds reinvested in another Agency security with a later maturity date. Not only did the portfolio realize a net gain on the sale of \$12,000, but overall portfolio yield increased slightly. Staff will continue to look for prudent similar opportunities.

**City of Santa Monica  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2014**

| 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> |              |                             |                 |               |               |               |               |             |       |         |                  |               |
| 313379SK6                    | 11236        | Federal Home Loan Bank      |                 | 07/25/2012    | 2,500,000.00  | 2,500,025.00  | 2,504,625.00  | 0.400       | 707   | 0.304   | 1                | 07/02/2014    |
| 3133ECLH5                    | 11314        | Federal Farm Credit Bank    |                 | 04/30/2013    | 20,000,000.00 | 20,000,800.00 | 20,002,400.00 | 0.180       | 441   | 0.170   | 14               | 07/15/2014    |
| 3133ECLH5                    | 11315        | Federal Farm Credit Bank    |                 | 04/30/2013    | 20,000,000.00 | 20,000,800.00 | 20,002,400.00 | 0.180       | 441   | 0.170   | 14               | 07/15/2014    |
| 313383QC8                    | 11408        | Federal Home Loan Bank      |                 | 01/21/2014    | 4,000,000.00  | 4,000,200.00  | 4,001,800.00  | 0.190       | 182   | 0.100   | 21               | 07/22/2014    |
| 3137EACU1                    | 11195        | Fed Home Loan Mortgage Corp |                 | 01/23/2012    | 5,000,000.00  | 5,003,600.00  | 5,064,750.00  | 1.000       | 919   | 0.482   | 29               | 07/30/2014    |
| 313383UA7                    | 11371        | Federal Home Loan Bank      |                 | 08/15/2013    | 3,000,000.00  | 3,000,270.00  | 2,999,970.00  | 0.170       | 358   | 0.171   | 38               | 08/08/2014    |
| 3135G0BY8                    | 11117        | Federal National Mort Assoc |                 | 07/19/2011    | 4,000,000.00  | 4,004,920.00  | 3,997,920.00  | 0.875       | 1,136 | 0.890   | 58               | 08/28/2014    |
| 313383ZC8                    | 11378        | Federal Home Loan Bank      |                 | 09/12/2013    | 5,000,000.00  | 5,000,200.00  | 5,000,130.00  | 0.180       | 365   | 0.177   | 73               | 09/12/2014    |
| 3133EA6W3                    | 11280        | Federal Farm Credit Bank    |                 | 01/17/2013    | 2,500,000.00  | 2,501,350.00  | 2,500,200.00  | 0.270       | 657   | 0.266   | 127              | 11/05/2014    |
| 3137EACY3                    | 11416        | Fed Home Loan Mortgage Corp |                 | 02/04/2014    | 3,000,000.00  | 3,007,830.00  | 3,015,000.00  | 0.750       | 294   | 0.131   | 147              | 11/25/2014    |
| 3134G3H78                    | 11268        | Fed Home Loan Mortgage Corp |                 | 11/06/2012    | 5,000,000.00  | 5,005,150.00  | 5,003,250.00  | 0.350       | 759   | 0.319   | 157              | 12/05/2014    |
| 3137EADA4                    | 11179        | Fed Home Loan Mortgage Corp |                 | 12/21/2011    | 2,500,000.00  | 2,506,175.00  | 2,497,225.00  | 0.625       | 1,104 | 0.662   | 181              | 12/29/2014    |
| 3130A0JV3                    | 11403        | Federal Home Loan Bank      |                 | 01/07/2014    | 10,000,000.00 | 10,003,500.00 | 10,000,752.78 | 0.190       | 364   | 0.183   | 189              | 01/06/2015    |
| 3130A0LE8                    | 11418        | Federal Home Loan Bank      |                 | 02/04/2014    | 4,000,000.00  | 4,000,960.00  | 4,000,752.22  | 0.170       | 339   | 0.162   | 192              | 01/09/2015    |
| 313381H24                    | 11353        | Federal Home Loan Bank      |                 | 07/11/2013    | 3,000,000.00  | 3,002,160.00  | 2,998,200.00  | 0.250       | 554   | 0.290   | 199              | 01/16/2015    |
| 3130A0QU7                    | 11412        | Federal Home Loan Bank      |                 | 01/23/2014    | 3,000,000.00  | 2,999,760.00  | 2,998,920.00  | 0.125       | 365   | 0.161   | 206              | 01/23/2015    |
| 3130A0TW0                    | 11417        | Federal Home Loan Bank      |                 | 02/04/2014    | 4,000,000.00  | 3,999,640.00  | 3,998,533.89  | 0.125       | 364   | 0.162   | 217              | 02/03/2015    |
| 313376YQ2                    | 11409        | Federal Home Loan Bank      |                 | 01/21/2014    | 1,000,000.00  | 1,001,562.50  | 1,002,300.00  | 0.400       | 388   | 0.183   | 227              | 02/13/2015    |
| 3133ECG81                    | 11410        | Federal Farm Credit Bank    |                 | 01/21/2014    | 1,060,000.00  | 1,061,070.60  | 1,061,356.80  | 0.300       | 400   | 0.183   | 239              | 02/25/2015    |
| 3135G0HG1                    | 11267        | Federal National Mort Assoc |                 | 11/06/2012    | 2,500,000.00  | 2,504,275.00  | 2,502,400.00  | 0.375       | 860   | 0.334   | 258              | 03/16/2015    |
| 31331KLE8                    | 11086        | Federal Farm Credit Bank    |                 | 05/18/2011    | 2,500,000.00  | 2,532,050.00  | 2,501,250.00  | 1.600       | 1,461 | 1.587   | 321              | 05/18/2015    |
| 3130A26M3                    | 11454        | Federal Home Loan Bank      |                 | 06/03/2014    | 5,000,000.00  | 4,998,150.00  | 5,000,069.44  | 0.125       | 360   | 0.125   | 332              | 05/29/2015    |
| 31315P6C8                    | 11450        | Farmer Mac                  |                 | 05/27/2014    | 10,000,000.00 | 9,996,875.00  | 9,999,500.00  | 0.130       | 370   | 0.135   | 335              | 06/01/2015    |
| 313379ER6                    | 11323        | Federal Home Loan Bank      |                 | 05/15/2013    | 3,000,000.00  | 3,007,650.00  | 3,015,210.00  | 0.500       | 758   | 0.255   | 346              | 06/12/2015    |
| 313379ER6                    | 11396        | Federal Home Loan Bank      |                 | 12/23/2013    | 3,000,000.00  | 3,007,650.00  | 3,010,950.00  | 0.500       | 536   | 0.251   | 346              | 06/12/2015    |
| 3133ECTV6                    | 11346        | Federal Farm Credit Bank    |                 | 07/02/2013    | 3,500,000.00  | 3,500,035.00  | 3,500,000.00  | 0.500       | 730   | 0.500   | 366              | 07/02/2015    |
| 3133ECHV9                    | 11296        | Federal Farm Credit Bank    |                 | 03/21/2013    | 5,000,000.00  | 5,007,812.50  | 4,997,550.00  | 0.350       | 861   | 0.371   | 394              | 07/30/2015    |
| 313375PT8                    | 11147        | Federal Home Loan Bank      |                 | 09/19/2011    | 2,500,000.00  | 2,515,300.00  | 2,500,000.00  | 0.750       | 1,410 | 0.750   | 394              | 07/30/2015    |
| 313376VZ5                    | 11196        | Federal Home Loan Bank      |                 | 01/30/2012    | 5,000,000.00  | 5,021,000.00  | 5,000,000.00  | 0.670       | 1,277 | 0.670   | 394              | 07/30/2015    |
| 3133EDC59                    | 11401        | Federal Farm Credit Bank    |                 | 01/03/2014    | 3,870,000.00  | 3,873,986.10  | 3,865,588.20  | 0.250       | 593   | 0.320   | 414              | 08/19/2015    |
| 3134G4HZ4                    | 11404        | Fed Home Loan Mortgage Corp |                 | 01/07/2014    | 3,000,000.00  | 3,002,730.00  | 3,004,830.00  | 0.500       | 659   | 0.411   | 484              | 10/28/2015    |
| 3134G3W55                    | 11455        | Fed Home Loan Mortgage Corp |                 | 06/03/2014    | 3,000,000.00  | 3,005,130.00  | 3,009,817.50  | 0.450       | 539   | 0.235   | 511              | 11/24/2015    |
| 31331J4J9                    | 11020        | Federal Farm Credit Bank    |                 | 12/07/2010    | 2,000,000.00  | 2,038,480.00  | 2,000,000.00  | 1.740       | 1,826 | 1.740   | 524              | 12/07/2015    |
| 3135G0WW9                    | 11324        | Federal National Mort Assoc |                 | 05/20/2013    | 3,000,000.00  | 2,992,530.00  | 3,000,000.00  | 0.520       | 1,096 | 0.520   | 689              | 05/20/2016    |
| 3134G4W95                    | 11429        | Fed Home Loan Mortgage Corp |                 | 03/17/2014    | 4,000,000.00  | 3,997,600.00  | 4,000,000.00  | 0.500       | 823   | 0.500   | 717              | 06/17/2016    |
| 3133834R9                    | 11322        | Federal Home Loan Bank      |                 | 05/15/2013    | 3,000,000.00  | 2,991,630.00  | 2,990,280.00  | 0.375       | 1,136 | 0.480   | 724              | 06/24/2016    |

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**City of Santa Monica  
Portfolio Management  
Portfolio Details - Investments  
June 30, 2014**

| 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> |              |                             |                 |               |              |              |              |             |       |         |                  |               |
| 3130A1BK3                    | 11444        | Federal Home Loan Bank      |                 | 03/24/2014    | 5,000,000.00 | 4,998,437.50 | 5,000,000.00 | 0.500       | 823   | 0.500   | 724              | 06/24/2016    |
| 3134G4RT7                    | 11399        | Fed Home Loan Mortgage Corp |                 | 12/27/2013    | 3,000,000.00 | 3,001,080.00 | 3,000,000.00 | 0.530       | 913   | 0.530   | 727              | 06/27/2016    |
| 3134G4TE8                    | 11407        | Fed Home Loan Mortgage Corp |                 | 01/28/2014    | 2,000,000.00 | 2,000,880.00 | 1,998,520.00 | 0.700       | 912   | 0.730   | 758              | 07/28/2016    |
| 313381VK8                    | 11292        | Federal Home Loan Bank      |                 | 02/08/2013    | 2,000,000.00 | 1,999,800.00 | 1,998,000.00 | 0.575       | 1,267 | 0.604   | 759              | 07/29/2016    |
| 3134G4ET1                    | 11375        | Fed Home Loan Mortgage Corp |                 | 08/29/2013    | 2,500,000.00 | 2,499,100.00 | 2,494,375.00 | 0.850       | 1,075 | 0.928   | 769              | 08/08/2016    |
| 3134G4E95                    | 11359        | Fed Home Loan Mortgage Corp |                 | 08/15/2013    | 3,000,000.00 | 3,002,760.00 | 3,000,000.00 | 0.850       | 1,096 | 0.850   | 776              | 08/15/2016    |
| 3134G4UU0                    | 11420        | Fed Home Loan Mortgage Corp |                 | 02/26/2014    | 5,000,000.00 | 5,002,200.00 | 5,000,000.00 | 0.600       | 912   | 0.600   | 787              | 08/26/2016    |
| 3136G1UX5                    | 11377        | Federal National Mort Assoc |                 | 09/26/2013    | 2,500,000.00 | 2,503,950.00 | 2,500,000.00 | 1.010       | 1,096 | 1.010   | 818              | 09/26/2016    |
| 3133EA5W4                    | 11260        | Federal Farm Credit Bank    |                 | 10/24/2012    | 5,000,000.00 | 4,990,625.00 | 5,000,000.00 | 0.650       | 1,461 | 0.650   | 846              | 10/24/2016    |
| 3135G0WS8                    | 11316        | Federal National Mort Assoc |                 | 05/15/2013    | 3,000,000.00 | 2,985,570.00 | 3,000,000.00 | 0.600       | 1,280 | 0.600   | 868              | 11/15/2016    |
| 313383CM1                    | 11329        | Federal Home Loan Bank      |                 | 06/20/2013    | 3,000,000.00 | 2,987,730.00 | 3,000,000.00 | 0.600       | 1,279 | 0.600   | 903              | 12/20/2016    |
| 3134G5AQ8                    | 11463        | Fed Home Loan Mortgage Corp |                 | 06/30/2014    | 2,000,000.00 | 1,996,780.00 | 2,000,000.00 | 0.700       | 914   | 0.700   | 913              | 12/30/2016    |
| 3133EDNC2                    | 11456        | Federal Farm Credit Bank    |                 | 06/13/2014    | 2,500,000.00 | 2,500,425.00 | 2,499,375.00 | 0.700       | 945   | 0.710   | 927              | 01/13/2017    |
| 3130A0KW9                    | 11413        | Federal Home Loan Bank      |                 | 01/23/2014    | 2,500,000.00 | 2,500,575.00 | 2,500,000.00 | 0.500       | 1,096 | 0.500   | 937              | 01/23/2017    |
| 31315PN88                    | 11351        | Farmer Mac                  |                 | 07/05/2013    | 2,000,000.00 | 2,017,800.00 | 2,000,000.00 | 1.100       | 1,301 | 1.100   | 940              | 01/26/2017    |
| 3130A0RK8                    | 11427        | Federal Home Loan Bank      |                 | 02/13/2014    | 3,000,000.00 | 3,002,812.50 | 3,000,000.00 | 0.880       | 1,096 | 0.880   | 958              | 02/13/2017    |
| 3134G3NT3                    | 11370        | Fed Home Loan Mortgage Corp |                 | 08/08/2013    | 2,500,000.00 | 2,504,275.00 | 2,499,125.00 | 1.000       | 1,299 | 1.010   | 972              | 02/27/2017    |
| 3134G4FD5                    | 11372        | Fed Home Loan Mortgage Corp |                 | 09/10/2013    | 5,000,000.00 | 5,008,500.00 | 5,000,000.00 | 1.125       | 1,277 | 1.125   | 983              | 03/10/2017    |
| 3133ECKV5                    | 11302        | Federal Farm Credit Bank    |                 | 04/05/2013    | 3,000,000.00 | 2,976,630.00 | 3,000,000.00 | 0.700       | 1,522 | 0.700   | 1,070            | 06/05/2017    |
| 313383PD7                    | 11349        | Federal Home Loan Bank      |                 | 06/28/2013    | 2,500,000.00 | 2,526,000.00 | 2,498,075.00 | 1.250       | 1,442 | 1.270   | 1,074            | 06/09/2017    |
| 3130A0YE4                    | 11428        | Federal Home Loan Bank      |                 | 03/12/2014    | 4,000,000.00 | 4,000,800.00 | 4,000,000.00 | 1.000       | 1,188 | 1.000   | 1,077            | 06/12/2017    |
| 3136G1NQ8                    | 11336        | Federal National Mort Assoc |                 | 06/19/2013    | 4,000,000.00 | 4,003,200.00 | 4,000,000.00 | 1.000       | 1,461 | 1.000   | 1,084            | 06/19/2017    |
| 3134G4MP0                    | 11388        | Fed Home Loan Mortgage Corp |                 | 12/20/2013    | 2,700,000.00 | 2,701,647.00 | 2,700,000.00 | 0.750       | 1,278 | 1.137   | 1,085            | 06/20/2017    |
| 3137EADH9                    | 11335        | Fed Home Loan Mortgage Corp |                 | 05/29/2013    | 3,000,000.00 | 3,006,480.00 | 3,009,930.00 | 1.000       | 1,492 | 0.976   | 1,094            | 06/29/2017    |
| 3137EADH9                    | 11348        | Fed Home Loan Mortgage Corp |                 | 06/27/2013    | 2,500,000.00 | 2,505,400.00 | 2,474,375.00 | 1.000       | 1,463 | 1.346   | 1,094            | 06/29/2017    |
| 3133EA4H8                    | 11305        | Federal Farm Credit Bank    |                 | 04/04/2013    | 5,000,000.00 | 4,971,700.00 | 4,999,250.00 | 0.820       | 1,559 | 0.824   | 1,106            | 07/11/2017    |
| 3134G3ZH6                    | 11341        | Fed Home Loan Mortgage Corp |                 | 06/06/2013    | 4,000,000.00 | 3,992,880.00 | 4,000,000.00 | 1.000       | 1,510 | 1.000   | 1,120            | 07/25/2017    |
| 3137EADJ5                    | 11290        | Fed Home Loan Mortgage Corp |                 | 01/31/2013    | 2,500,000.00 | 2,501,525.00 | 2,509,875.00 | 1.000       | 1,639 | 0.910   | 1,123            | 07/28/2017    |
| 3137EADJ5                    | 11394        | Fed Home Loan Mortgage Corp |                 | 12/17/2013    | 5,000,000.00 | 5,003,050.00 | 4,992,900.00 | 1.000       | 1,319 | 1.040   | 1,123            | 07/28/2017    |
| 3134G4TS7                    | 11406        | Fed Home Loan Mortgage Corp |                 | 01/28/2014    | 5,000,000.00 | 5,026,200.00 | 5,000,000.00 | 1.150       | 1,277 | 1.150   | 1,123            | 07/28/2017    |
| 3134G3B90                    | 11243        | Fed Home Loan Mortgage Corp |                 | 08/15/2012    | 2,000,000.00 | 1,989,040.00 | 1,998,520.00 | 0.875       | 1,826 | 0.890   | 1,141            | 08/15/2017    |
| 3130A25G7                    | 11453        | Federal Home Loan Bank      |                 | 06/05/2014    | 3,000,000.00 | 2,996,880.00 | 2,999,526.00 | 1.050       | 1,188 | 1.055   | 1,162            | 09/05/2017    |
| 3135G0PP2                    | 11425        | Federal National Mort Assoc |                 | 02/12/2014    | 2,500,000.00 | 2,493,375.00 | 2,492,050.00 | 1.000       | 1,316 | 1.090   | 1,177            | 09/20/2017    |
| 3136G0G39                    | 11250        | Federal National Mort Assoc |                 | 09/27/2012    | 5,000,000.00 | 4,978,700.00 | 5,000,000.00 | 0.625       | 1,826 | 0.625   | 1,184            | 09/27/2017    |
| 3133EA3J5                    | 11253        | Federal Farm Credit Bank    |                 | 10/10/2012    | 5,000,000.00 | 4,941,750.00 | 5,000,000.00 | 0.900       | 1,826 | 0.900   | 1,197            | 10/10/2017    |
| 3134G3T42                    | 11458        | Fed Home Loan Mortgage Corp |                 | 06/05/2014    | 3,000,000.00 | 3,011,010.00 | 3,018,500.00 | 1.500       | 1,257 | 1.343   | 1,231            | 11/13/2017    |

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| 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> |              |                             |                       |               |                       |                       |                       |             |              |              |                  |               |
| 3136G03Y5                    | 11264        | Federal National Mort Assoc |                       | 11/21/2012    | 5,000,000.00          | 4,988,450.00          | 5,000,000.00          | 0.750       | 1,826        | 0.750        | 1,239            | 11/21/2017    |
| 3136G05Q0                    | 11269        | Federal National Mort Assoc |                       | 11/27/2012    | 5,000,000.00          | 4,994,000.00          | 5,000,000.00          | 0.700       | 1,826        | 0.700        | 1,245            | 11/27/2017    |
| 3134G44N5                    | 11317        | Fed Home Loan Mortgage Corp |                       | 05/28/2013    | 3,000,000.00          | 2,952,420.00          | 3,000,000.00          | 0.750       | 1,645        | 0.750        | 1,246            | 11/28/2017    |
| 3130A0ZX1                    | 11432        | Federal Home Loan Bank      |                       | 03/19/2014    | 4,000,000.00          | 4,001,960.00          | 4,000,000.00          | 1.150       | 1,371        | 1.150        | 1,267            | 12/19/2017    |
| 3133823A9                    | 11285        | Federal Home Loan Bank      |                       | 02/22/2013    | 5,000,000.00          | 4,960,500.00          | 5,000,000.00          | 1.150       | 1,826        | 1.150        | 1,332            | 02/22/2018    |
| 3130A0XC9                    | 11435        | Federal Home Loan Bank      |                       | 02/26/2014    | 4,000,000.00          | 3,995,680.00          | 4,000,000.00          | 1.300       | 1,461        | 1.300        | 1,336            | 02/26/2018    |
| 3136G1DA4                    | 11286        | Federal National Mort Assoc |                       | 02/28/2013    | 5,000,000.00          | 4,989,650.00          | 5,000,000.00          | 1.000       | 1,826        | 1.171        | 1,338            | 02/28/2018    |
| 3134G37H7                    | 11301        | Fed Home Loan Mortgage Corp |                       | 04/25/2013    | 5,000,000.00          | 4,954,600.00          | 5,000,000.00          | 1.150       | 1,826        | 1.150        | 1,394            | 04/25/2018    |
| 31315PYT0                    | 11318        | Farmer Mac                  |                       | 05/02/2013    | 3,000,000.00          | 2,968,050.00          | 3,000,000.00          | 0.990       | 1,826        | 0.990        | 1,401            | 05/02/2018    |
| 3135G0XA6                    | 11319        | Federal National Mort Assoc |                       | 05/21/2013    | 3,000,000.00          | 2,949,540.00          | 3,000,000.00          | 1.030       | 1,826        | 1.030        | 1,420            | 05/21/2018    |
| 313382Z63                    | 11325        | Federal Home Loan Bank      |                       | 05/22/2013    | 5,000,000.00          | 4,960,800.00          | 5,000,000.00          | 0.750       | 1,826        | 0.700        | 1,421            | 05/22/2018    |
| 3134G55C5                    | 11448        | Fed Home Loan Mortgage Corp |                       | 05/28/2014    | 4,000,000.00          | 4,002,840.00          | 4,000,000.00          | 1.500       | 1,458        | 1.503        | 1,424            | 05/25/2018    |
| 313379DT3                    | 11386        | Federal Home Loan Bank      |                       | 11/12/2013    | 4,000,000.00          | 3,982,360.00          | 3,960,880.00          | 1.250       | 1,669        | 1.472        | 1,438            | 06/08/2018    |
| 313383EN7                    | 11334        | Federal Home Loan Bank      |                       | 06/20/2013    | 5,000,000.00          | 4,958,350.00          | 5,000,000.00          | 1.000       | 1,826        | 1.000        | 1,450            | 06/20/2018    |
| 313383C25                    | 11345        | Federal Home Loan Bank      |                       | 06/25/2013    | 2,500,000.00          | 2,460,375.00          | 2,412,500.00          | 0.600       | 1,821        | 1.265        | 1,450            | 06/20/2018    |
| 3134G47M4                    | 11338        | Fed Home Loan Mortgage Corp |                       | 06/26/2013    | 3,000,000.00          | 3,000,600.00          | 2,999,250.00          | 1.500       | 1,826        | 1.505        | 1,456            | 06/26/2018    |
| 313383GK1                    | 11337        | Federal Home Loan Bank      |                       | 06/27/2013    | 3,800,000.00          | 3,760,860.00          | 3,800,000.00          | 1.125       | 1,826        | 1.125        | 1,457            | 06/27/2018    |
| 3134G54Z5                    | 11447        | Fed Home Loan Mortgage Corp |                       | 05/28/2014    | 3,000,000.00          | 3,005,400.00          | 3,000,000.00          | 1.500       | 1,553        | 1.500        | 1,519            | 08/28/2018    |
| 3130A02E9                    | 11380        | Federal Home Loan Bank      |                       | 09/25/2013    | 3,000,000.00          | 3,001,350.00          | 3,000,000.00          | 0.750       | 1,826        | 0.750        | 1,547            | 09/25/2018    |
| 3134G4L30                    | 11385        | Fed Home Loan Mortgage Corp |                       | 11/26/2013    | 5,000,000.00          | 5,020,312.50          | 5,000,000.00          | 1.700       | 1,826        | 1.700        | 1,609            | 11/26/2018    |
| 3134G4RZ3                    | 11400        | Fed Home Loan Mortgage Corp |                       | 12/26/2013    | 5,000,000.00          | 5,018,100.00          | 5,000,000.00          | 1.000       | 1,826        | 1.000        | 1,639            | 12/26/2018    |
| 3134G4QX9                    | 11405        | Fed Home Loan Mortgage Corp |                       | 01/08/2014    | 5,000,000.00          | 5,011,600.00          | 4,992,500.00          | 1.500       | 1,814        | 1.531        | 1,640            | 12/27/2018    |
| 31315P4H9                    | 11415        | Farmer Mac                  |                       | 01/30/2014    | 5,000,000.00          | 5,030,250.00          | 5,000,000.00          | 1.950       | 1,826        | 1.950        | 1,674            | 01/30/2019    |
| 3130A0WK2                    | 11421        | Federal Home Loan Bank      |                       | 02/20/2014    | 5,000,000.00          | 5,001,650.00          | 5,000,000.00          | 0.375       | 1,826        | 0.375        | 1,695            | 02/20/2019    |
| 3134G4VE5                    | 11422        | Fed Home Loan Mortgage Corp |                       | 02/27/2014    | 3,000,000.00          | 3,019,980.00          | 3,000,000.00          | 1.800       | 1,826        | 1.800        | 1,702            | 02/27/2019    |
| 3134G4VM7                    | 11426        | Fed Home Loan Mortgage Corp |                       | 03/11/2014    | 5,000,000.00          | 5,008,550.00          | 5,000,000.00          | 1.500       | 1,826        | 1.500        | 1,714            | 03/11/2019    |
| 3134G4WL8                    | 11434        | Fed Home Loan Mortgage Corp |                       | 03/19/2014    | 4,000,000.00          | 4,023,240.00          | 4,000,000.00          | 1.750       | 1,826        | 1.750        | 1,722            | 03/19/2019    |
| 3134G4Y28                    | 11441        | Fed Home Loan Mortgage Corp |                       | 03/27/2014    | 5,000,000.00          | 5,020,800.00          | 5,000,000.00          | 1.550       | 1,826        | 1.550        | 1,730            | 03/27/2019    |
| 3130A1DL9                    | 11442        | Federal Home Loan Bank      |                       | 04/02/2014    | 4,000,000.00          | 3,987,920.00          | 4,000,000.00          | 2.010       | 1,826        | 0.376        | 1,736            | 04/02/2019    |
| 3130A1S74                    | 11446        | Federal Home Loan Bank      |                       | 05/16/2014    | 5,000,000.00          | 4,994,450.00          | 5,000,000.00          | 2.030       | 1,826        | 2.030        | 1,780            | 05/16/2019    |
| 3130A23F1                    | 11452        | Federal Home Loan Bank      |                       | 05/30/2014    | 5,000,000.00          | 4,982,812.50          | 5,000,000.00          | 1.000       | 1,824        | 1.000        | 1,792            | 05/28/2019    |
| 3130A2C87                    | 11457        | Federal Home Loan Bank      |                       | 06/26/2014    | 3,000,000.00          | 3,005,400.00          | 3,000,000.00          | 1.500       | 1,826        | 1.500        | 1,821            | 06/26/2019    |
| <b>Subtotal and Average</b>  |              |                             | <b>433,696,354.11</b> |               | <b>419,930,000.00</b> | <b>419,735,273.70</b> | <b>419,895,456.83</b> |             | <b>1,183</b> | <b>0.765</b> | <b>857</b>       |               |

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| 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 Discount</b>             |              |                                |                      |               |                      |                      |                      |             |            |              |                  |               |
| 313385YV2                                  | 11402        | Federal Home Loan Bank         |                      | 01/03/2014    | 10,000,000.00        | 10,000,000.00        | 9,994,500.00         | 0.110       | 180        | 0.112        | 1                | 07/02/2014    |
| 313385ZM1                                  | 11411        | Federal Home Loan Bank         |                      | 01/21/2014    | 6,000,000.00         | 5,999,940.00         | 5,997,300.33         | 0.091       | 178        | 0.092        | 17               | 07/18/2014    |
| 313396CQ4                                  | 11445        | Fed Home Loan Mortgage Corp    |                      | 04/22/2014    | 5,000,000.00         | 4,996,600.00         | 4,995,611.11         | 0.100       | 316        | 0.103        | 246              | 03/04/2015    |
| <b>Subtotal and Average</b>                |              |                                | <b>20,987,411.44</b> |               | <b>21,000,000.00</b> | <b>20,996,540.00</b> | <b>20,987,411.44</b> |             | <b>212</b> | <b>0.104</b> | <b>64</b>        |               |
| <b>Local Agency Investment Funds</b>       |              |                                |                      |               |                      |                      |                      |             |            |              |                  |               |
| SYS10090                                   | 10090        | Local Agency Investment Fund   |                      |               | 49,500,055.66        | 49,500,055.66        | 49,500,055.66        | 0.220       | 1          | 0.220        | 1                |               |
| <b>Subtotal and Average</b>                |              |                                | <b>49,500,055.66</b> |               | <b>49,500,055.66</b> | <b>49,500,055.66</b> | <b>49,500,055.66</b> |             | <b>1</b>   | <b>0.220</b> | <b>1</b>         |               |
| <b>Columbia Money Market Fund</b>          |              |                                |                      |               |                      |                      |                      |             |            |              |                  |               |
| SYS10091                                   | 10091        | Columbia Money Market Reserves |                      | 09/15/2006    | 0.00                 | 0.00                 | 0.00                 | 0.010       | 1          | 0.010        | 1                |               |
| <b>Subtotal and Average</b>                |              |                                | <b>0.00</b>          |               | <b>0.00</b>          | <b>0.00</b>          | <b>0.00</b>          |             | <b>0</b>   | <b>0.000</b> | <b>0</b>         |               |
| <b>Local Agency Investment Funds - RDA</b> |              |                                |                      |               |                      |                      |                      |             |            |              |                  |               |
| SYS10092                                   | 10092        | LAIF - RDA                     |                      | 03/17/2009    | 0.00                 | 0.00                 | 0.00                 | 0.385       | 1          | 0.385        | 1                |               |
| <b>Subtotal and Average</b>                |              |                                | <b>0.00</b>          |               | <b>0.00</b>          | <b>0.00</b>          | <b>0.00</b>          |             | <b>0</b>   | <b>0.000</b> | <b>0</b>         |               |
| <b>Corporate Bonds</b>                     |              |                                |                      |               |                      |                      |                      |             |            |              |                  |               |
| 459200GZ8                                  | 11270        | IBM Corp                       |                      | 11/14/2012    | 5,000,000.00         | 5,009,900.00         | 5,052,250.00         | 0.875       | 716        | 0.340        | 122              | 10/31/2014    |
| 89233P5N2                                  | 11358        | Toyota Motor Credit Corp       |                      | 07/19/2013    | 2,000,000.00         | 2,007,960.00         | 2,021,280.00         | 1.250       | 486        | 0.445        | 139              | 11/17/2014    |
| 94974BEU0                                  | 11451        | Wells Fargo Bank               |                      | 05/27/2014    | 5,000,000.00         | 5,129,150.00         | 5,171,521.79         | 3.625       | 323        | 0.215        | 288              | 04/15/2015    |
| 459200HD6                                  | 11397        | IBM Corp                       |                      | 12/23/2013    | 2,278,000.00         | 2,287,681.50         | 2,292,761.44         | 0.750       | 504        | 0.280        | 314              | 05/11/2015    |
| 94974BFE5                                  | 11287        | Wells Fargo & Compnay          |                      | 01/31/2013    | 2,000,000.00         | 2,022,560.00         | 2,032,480.00         | 1.500       | 881        | 0.820        | 365              | 07/01/2015    |
| 94974BFL9                                  | 11443        | Wells Fargo & Compnay          |                      | 04/22/2014    | 4,523,000.00         | 4,574,019.44         | 4,601,903.74         | 1.500       | 435        | 0.420        | 365              | 07/01/2015    |
| 89233P6J0                                  | 11357        | Toyota Motor Credit Corp       |                      | 07/19/2013    | 2,000,000.00         | 2,011,800.00         | 2,009,720.00         | 0.875       | 728        | 0.629        | 381              | 07/17/2015    |
| 94985H5F7                                  | 11363        | Wells Fargo Bank               |                      | 07/29/2013    | 2,500,000.00         | 2,510,375.00         | 2,499,125.00         | 0.750       | 721        | 0.768        | 384              | 07/20/2015    |
| 594918AG9                                  | 11211        | Microsoft                      |                      | 05/10/2012    | 5,000,000.00         | 5,082,600.00         | 5,170,600.00         | 1.625       | 1,233      | 0.602        | 451              | 09/25/2015    |
| 084670BG2                                  | 11291        | Berkshire Hathaway             |                      | 02/11/2013    | 2,000,000.00         | 2,011,060.00         | 2,005,620.00         | 0.800       | 1,095      | 0.705        | 590              | 02/11/2016    |
| 037833AH3                                  | 11320        | Apple Inc.                     |                      | 05/06/2013    | 3,000,000.00         | 2,993,610.00         | 3,002,430.00         | 0.450       | 1,093      | 0.423        | 672              | 05/03/2016    |
| 478160AY0                                  | 11293        | Johnson & Johnson              |                      | 02/12/2013    | 2,000,000.00         | 2,060,020.00         | 2,105,040.00         | 2.150       | 1,188      | 0.522        | 684              | 05/15/2016    |
| 89236TAL9                                  | 11333        | Toyota Motor Credit Corp       |                      | 05/28/2013    | 3,000,000.00         | 3,016,530.00         | 3,008,190.00         | 0.800       | 1,085      | 0.707        | 686              | 05/17/2016    |
| 94974BFL9                                  | 11362        | Wells Fargo & Compnay          |                      | 07/29/2013    | 3,000,000.00         | 3,025,890.00         | 2,997,120.00         | 1.250       | 1,087      | 1.283        | 750              | 07/20/2016    |
| 742718DV8                                  | 11352        | Procter & Gamble               |                      | 07/05/2013    | 1,985,000.00         | 2,017,554.00         | 2,011,658.55         | 1.450       | 1,137      | 1.010        | 776              | 08/15/2016    |
| 427866AP3                                  | 11449        | HERSHEY COMPANY                |                      | 05/20/2014    | 947,000.00           | 1,041,179.15         | 1,060,904.90         | 5.450       | 835        | 0.656        | 793              | 09/01/2016    |
| 90521APH5                                  | 11431        | UnionBanc Investments          |                      | 02/24/2014    | 4,000,000.00         | 4,055,480.00         | 4,068,800.00         | 1.500       | 945        | 0.827        | 818              | 09/26/2016    |

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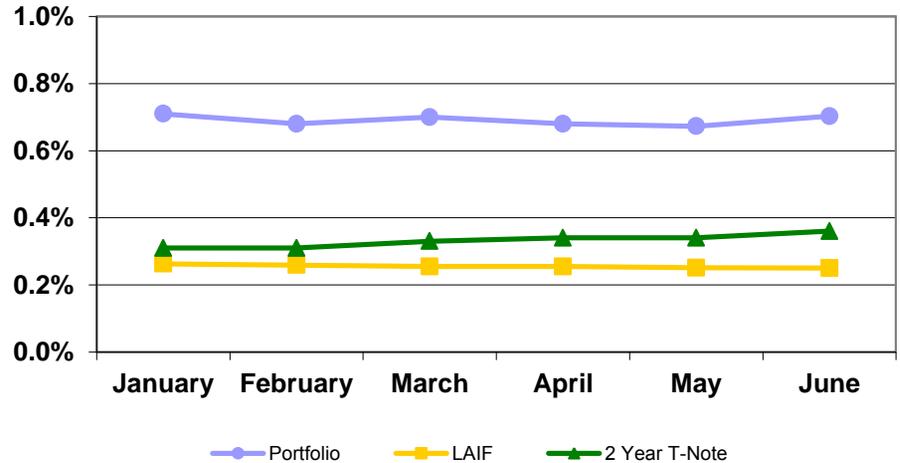
| CUSIP                                  | Investment # | Issuer              | Average Balance       | Purchase Date | Par Value             | Market Value          | Book Value            | Stated Rate | Term         | YTM 365      | Days to Maturity | Maturity Date |
|--|--------------|---------------------|-----------------------|---------------|-----------------------|-----------------------|-----------------------|-------------|--------------|--------------|------------------|---------------|
| <b>Corporate Bonds</b>                 |              |                     |                       |               |                       |                       |                       |             |              |              |                  |               |
| 717081DD2                              | 11430        | Pfizer Inc          |                       | 02/24/2014    | 4,000,000.00          | 4,001,840.00          | 4,012,700.00          | 0.900       | 1,056        | 0.823        | 929              | 01/15/2017    |
| 88579YAE1                              | 11392        | 3M                  |                       | 12/10/2013    | 2,500,000.00          | 2,499,875.00          | 2,495,925.00          | 1.000       | 1,294        | 1.047        | 1,091            | 06/26/2017    |
| 88579YAE1                              | 11393        | 3M                  |                       | 12/10/2013    | 2,500,000.00          | 2,499,875.00          | 2,495,475.00          | 1.000       | 1,294        | 1.052        | 1,091            | 06/26/2017    |
| 64952WBK8                              | 11283        | New York Life       |                       | 01/23/2013    | 2,855,000.00          | 2,842,837.70          | 2,872,529.70          | 1.300       | 1,741        | 1.167        | 1,217            | 10/30/2017    |
| 594918AP9                              | 11311        | Microsoft           |                       | 04/30/2013    | 2,500,000.00          | 2,481,325.00          | 2,505,000.00          | 0.875       | 1,660        | 0.931        | 1,233            | 11/15/2017    |
| 037833AJ9                              | 11321        | Apple Inc.          |                       | 05/06/2013    | 2,500,000.00          | 2,444,900.00          | 2,505,600.00          | 1.000       | 1,823        | 0.954        | 1,402            | 05/03/2018    |
| 037833AJ9                              | 11326        | Apple Inc.          |                       | 05/17/2013    | 2,500,000.00          | 2,444,900.00          | 2,478,975.00          | 1.000       | 1,812        | 1.175        | 1,402            | 05/03/2018    |
| 478160BG8                              | 11391        | Johnson & Johnson   |                       | 12/05/2013    | 2,000,000.00          | 2,008,540.00          | 2,000,080.00          | 1.650       | 1,826        | 1.649        | 1,618            | 12/05/2018    |
| 037833AQ3                              | 11461        | Apple Inc.          |                       | 06/13/2014    | 3,000,000.00          | 3,015,120.00          | 3,017,575.00          | 2.100       | 1,788        | 2.020        | 1,770            | 05/06/2019    |
| <b>Subtotal and Average</b>            |              |                     | <b>74,288,235.12</b>  |               | <b>74,588,000.00</b>  | <b>75,096,581.79</b>  | <b>75,495,265.12</b>  |             | <b>1,064</b> | <b>0.782</b> | <b>736</b>       |               |
| <b>State of California Obligations</b> |              |                     |                       |               |                       |                       |                       |             |              |              |                  |               |
| 13063CKL3                              | 11459        | State of California |                       | 06/09/2014    | 3,000,000.00          | 3,017,520.00          | 3,027,915.00          | 2.250       | 1,787        | 2.100        | 1,765            | 05/01/2019    |
| <b>Subtotal and Average</b>            |              |                     | <b>2,220,471.00</b>   |               | <b>3,000,000.00</b>   | <b>3,017,520.00</b>   | <b>3,027,915.00</b>   |             | <b>1,787</b> | <b>2.100</b> | <b>1,765</b>     |               |
| <b>Total and Average</b>               |              |                     | <b>580,692,527.33</b> |               | <b>568,018,055.66</b> | <b>568,345,971.15</b> | <b>568,906,104.05</b> |             | <b>1,032</b> | <b>0.703</b> | <b>742</b>       |               |

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**Portfolio Yield**

The portfolio yield-to-maturity was 0.70% as of June 30, 2014, up three basis points from the prior month and ten basis points from one year earlier. The extended record low interest rate environment continues to hamper portfolio returns as rates remain at historically low levels. Additionally, as noted earlier, a significant amount of the portfolio is being held in very liquid investments with short maturities pending final resolution of the impact of RDA dissolution. 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. The yield-to-maturity does not include the impact of the earnings allowance earned on deposits with Wells Fargo Bank. As noted earlier, these deposits earned a net 0.0725% in June. However, this allowance is not payable to the City in cash and can only be used to offset bank fees. Therefore, this allowance is not included in the yield-to-maturity calculation.

**Portfolio Yield**



Overall, interest rates in the two to five year maturity range rose sharply in June after backing off in May. The two year CMT month-end rate rose ten basis points to 0.47%, the highest level in over three years. The twelve month moving average rose two basis points to 0.36%. Rates are expected to remain relatively low into 2015 unless there are significant improvements in certain economic factors before then. The twelve month moving average LAIF yield remained at its record low rate of 0.25% in June and has not shown a monthly increase for over six years. The month-end LAIF rate was 0.22%, a new record low.

The Federal Open Market Committee (Fed) left the target Fed Funds rate unchanged at a range of 0% to 0.25% at its June meeting. The Fed's policy statement indicated that while they did see an improving economy including a strengthening labor market (unemployment down to 6.1%), low inflation, better household spending, and the beginnings of

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a turnaround in business investment, the housing market is showing weakness. Based on this, they still expect it to be some time before they begin to raise interest rates. Preliminary second quarter GDP showed a 3% gain after a 2.1% decrease in the first quarter. Most recent economic projections predict annualized growth in the 2.5-3% range for the remainder of 2014. The stock market, as measured by the Dow Jones Industrial Average, continued to be strong, realizing a gain in June of about 0.6%.

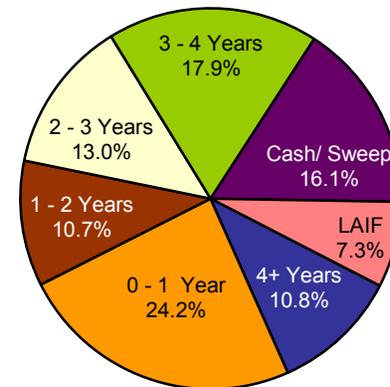
The City's portfolio yield-to-maturity has decreased significantly over the last five years as interest rates have reached historic lows resulting in many investments being called and reinvested at lower rates. Overall, the yield will likely remain relatively flat over the next few months unless some unanticipated uptick in rates occurs and the RDA situation is completely resolved.

Net investment income in June was \$0.3 million. Fiscal year-to-date revenues on a cash basis ended the year down about 5% from FY 2012/13.

**Maturity Distribution**

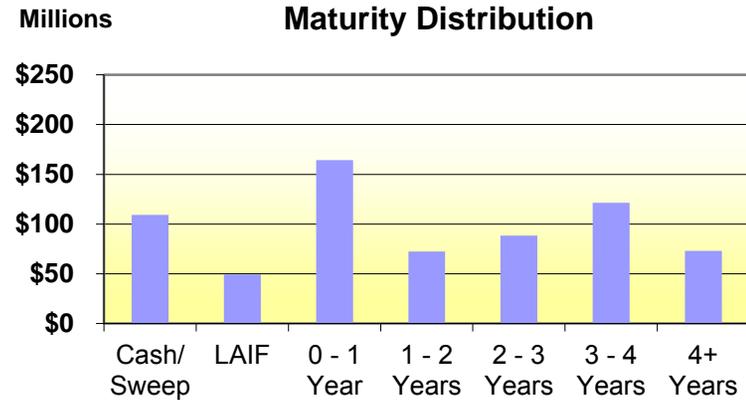
The weighted average days to maturity of the portfolio as of June 30, 2014 is 742 days (2.0 years). This calculation is for invested funds only and does not reflect the City's primary liquidity funds being held in cash at Wells Fargo Bank. As noted earlier, there are fiscal benefits to this strategy under the current interest rate environment. The City continues to maintain high liquidity in the portfolio pending the final impact of RDA dissolution. Approximately 58% of the portfolio continues to be held in maturities of 2 years or less (including cash balances).

**Portfolio Maturities**



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As interest rates have started to advance, fewer bonds have been called. However, the interest rate environment is still extremely low compared to historical standards and continues to be volatile. Based on this and pending the final outcome of Redevelopment dissolution including the State Controller’s audit, the portfolio’s average days to maturity will likely continue to vary over the next several months. While most investments are still being made in shorter term securities, some investments in longer term securities are being made to take advantage of a steepening yield curve. As noted earlier, interest rates are still expected to remain relatively low into early 2015.



**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 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 June 30, 2014, the market value and the book value of the City’s pooled investments (excluding cash) are:

|                             |                   |
|-----------------------------|-------------------|
| Market Value                | \$ 568,345,971.15 |
| Book Value (purchase price) | \$ 568,906,104.05 |
| Unrealized Gain/ (Loss)     | \$ (560,132.90)   |

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**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. Bond and loan proceeds, as well as the Cemetery and Mausoleum Perpetual Care Funds are excluded.

The following tables summarize portfolio compliance as of June 30, 2014. All investments were in compliance with State law and the City’s Investment Policy at the time of purchase and continue to be in compliance. 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 noted in prior reports, the City’s investment portfolio includes one remaining bond issued by Berkshire Hathaway Company (BRK) with a total book value of \$2,005,620 that was slightly downgraded in May 2013 from AA+ to AA. The revised rating of AA is still within the second highest category of bond ratings (defined as high quality with a “very strong capacity to meet financial commitments”). Additionally, total holdings in BRK represent a minor (less than 1%) portion of the City portfolio. Based on this, staff continues to recommend holding these securities at this time.

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

**Credit Ratings - Corporate Medium Term Notes**

|                           | Standard & Poors/<br>Fitch | Moody's | In Compliance<br>(Yes/No) |
|---------------------------|----------------------------|---------|---------------------------|
|                           | <b>Best Quality</b>        | AAA     | Aaa                       |
|                           | 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                        |

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**Portfolio Allocation as of 6/30/14**

|  | Pooled<br>Portfolio (1) (3) | % of<br>Portfolio | Legal/<br>Policy<br>Limit | In<br>Compliance<br>(Yes/No) |
|--|-----------------------------|-------------------|---------------------------|------------------------------|
| <b>Federal Agency Securities</b>               |                             |                   |                           |                              |
| Federal Home Loan Bank                         | \$160,183,274.66            | 23.6%             | 50.0%                     | Yes                          |
| Federal National Mortgage Association          | 44,492,370.00               | 6.6%              | 50.0%                     | Yes                          |
| Federal Home Loan Mortgage Corporation         | 135,278,353.61              | 20.0%             | 50.0%                     | Yes                          |
| Farmer Mac                                     | 19,999,500.00               | 2.9%              | 50.0%                     | Yes                          |
| Federal Farm Credit Bank                       | 80,929,370.00               | 11.9%             | 50.0%                     | Yes                          |
| <b>Total Federal Agency Securities</b>         | <b>\$440,882,868.27</b>     | <b>65.0%</b>      | n/a                       | Yes                          |
| <b>Treasury Bills</b>                          | <b>\$0.00</b>               | <b>0.0%</b>       | n/a                       | Yes                          |
| <b>State of CA Obligations</b>                 | <b>\$3,027,915.00</b>       | <b>0.4%</b>       | n/a                       | Yes                          |
| <b>Corporate Bonds</b>                         | <b>\$75,495,265.12</b>      | <b>11.1%</b>      | 30.0%                     | Yes                          |
| <b>Money Market Mutual Funds</b>               |                             |                   |                           |                              |
| Columbia Money Market Reserves Advisor Class   | 0.00                        | 0.0%              | 10.0%                     | Yes                          |
| BlackrockT-Find Cash Management Sweep          | 0.00                        | 0.0%              | 10.0%                     | Yes                          |
| <b>Total-Money Market Mutual Funds</b>         | <b>\$0.00</b>               | <b>0.0%</b>       | 20.0%                     | Yes                          |
| <b>State Local Agency Investment Fund-City</b> | <b>\$49,500,055.66</b>      | <b>7.3%</b>       | \$50 million              | Yes                          |
| <b>Cash (2)</b>                                | <b>\$109,109,647.37</b>     | <b>16.1%</b>      | None                      | Yes                          |
| <b>Total (Book Value)</b>                      | <b>\$678,015,751.42</b>     | <b>100.0%</b>     |                           |                              |

**Notes:**

(1) Excludes bond proceeds, funds held in trust for others, petty cash accounts, and other funds which are not entirely under City ownership and control

(2) City's general bank account held at Wells Fargo Bank. Does not include balance of HUD depository account (\$1,477,780.25), Successor Agency RPTTF account (\$8,492,876.22), Ocean Park Special Fund (\$5,353,601.54), payroll account (\$148,036.64) or other cash accounts that are restricted as to use.

(3) Value used to test compliance is reported value (book value plus unrealized purchased interest).

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**City Portfolio as of 6/30/14 (Book Value)**

| <u>Security</u>                                   | <u>Pooled<br/>Portfolio</u> | <u>Credit<br/>Rating*</u> | <u>In<br/>Compliance<br/>(Yes/No)</u> |
|---|-----------------------------|---------------------------|---------------------------------------|
| <b>Corporate</b>                                  |                             |                           |                                       |
| IBM .875% maturing 10/31/14                       | \$5,052,250.00              | AA-                       | Yes                                   |
| Toyota Motor Credit Corp. 1.25% maturing 11/17/14 | \$2,021,280.00              | AA-                       | Yes                                   |
| Wells Fargo Bank 3.625% maturing 4/15/15          | \$5,171,521.79              | AA-                       | Yes                                   |
| IBM 0.75% maturing 5/11/15                        | \$2,292,761.44              | AA-                       | Yes                                   |
| Wells Fargo and Company 1.5% maturing 7/1/15      | \$2,032,480.00              | A+                        | Yes                                   |
| Wells Fargo and Company 1.5% maturing 7/1/15      | \$4,601,903.74              | A+                        | Yes                                   |
| Toyota Motor Credit Corp. 0.875% maturing 7/17/15 | \$2,009,720.00              | AA-                       | Yes                                   |
| Wells Fargo Bank 0.75% maturing 7/20/15           | \$2,499,125.00              | AA-                       | Yes                                   |
| Microsoft 1.625% maturing 9/25/15                 | \$5,170,600.00              | AAA                       | Yes                                   |
| Berkshire Hathaway 0.8% maturing 2/11/16          | \$2,005,620.00              | AA                        | Yes                                   |
| Apple Inc. 0.45% maturing 5/3/16                  | \$3,002,430.00              | AA+                       | Yes                                   |
| Johnson & Johnson 2.15% maturing 5/15/16          | \$2,105,040.00              | AAA                       | Yes                                   |
| Toyota Motor Credit Corp. 0.8% maturing 5/17/16   | \$3,008,190.00              | AA-                       | Yes                                   |
| Wells Fargo and Company 1.25% maturing 7/20/16    | \$2,997,120.00              | A+                        | Yes                                   |
| Procter & Gamble 1.45% maturing 8/15/16           | \$2,011,658.55              | AA-                       | Yes                                   |
| Hershey Company 5.45% maturing 9/1/16             | \$1,060,904.90              | A                         | Yes                                   |
| UnionBanc Investments 1.5% maturing 9/26/16       | \$4,068,800.00              | A+                        | Yes                                   |
| Pfizer, Inc. 0.9% maturing 1/15/17                | \$4,012,700.00              | AA                        | Yes                                   |
| 3M Corp. 1% maturing 6/26/17                      | \$4,991,400.00              | AA-                       | Yes                                   |
| New York Life 1.3% maturing 10/30/17              | \$2,872,529.70              | AA+                       | Yes                                   |
| Microsoft 0.875% maturing 11/15/17                | \$2,505,000.00              | AAA                       | Yes                                   |
| Apple Inc. 1% maturing 5/3/18                     | \$4,984,575.00              | AA+                       | Yes                                   |
| Johnson & Johnson 1.65% maturing 12/05/2018       | \$2,000,080.00              | AA+                       | Yes                                   |
| Apple Inc. 2.1% maturing 5/6/19                   | \$3,017,575.00              | AA+                       | Yes                                   |

\* Per Standard and Poors

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**Certification**

In compliance with California Government Code Section 53546 as amended February 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