City of
Santa Monica®

Information Item

Date: March 13, 2015

To: Mayor and City Council

From: Gigi Decavalles-Hughes, Director of Finance/City Treasurer

Subject: City Monthly Cash and Investment Report for October 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 October 31, 2014.

Discussion

The October 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 increased by $4 million in October to $649.4 million and is now $35 million greater than one year earlier. Receipts have exceeded outflows over the last twelve months reflecting increased revenues and the timing of capital expenditures. The pooled portfolio yield-to-maturity of 0.87% is one basis point higher than the prior month and sixteen basis points higher than in October 2013. Net investment earnings for the month were $0.3 million. Fiscal year-to-date earnings are 3.7% greater than for the same period last year. The extended low interest rate environment continues to limit investment returns. Additionally, the uncertainty regarding RDA dissolution has required the holding of extraordinarily large cash balances. As this uncertainty begins to dissipate, the City will begin rebalancing in a prudent and orderly manner over the next six to twelve months. Portfolio yield appears to have begun a slight upward trend.

In addition to the pooled portfolio, the City's total cash holdings as of October 31, 2014 included $19.7 million in debt proceeds held in trust with various fiscal agents, $22 million in other funds held in trust, and $28,947 in petty cash/change funds for a total balance of $691.1 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 October 31, 2014, the market value of the City's portfolio was approximately $0.6 million less than the book value.

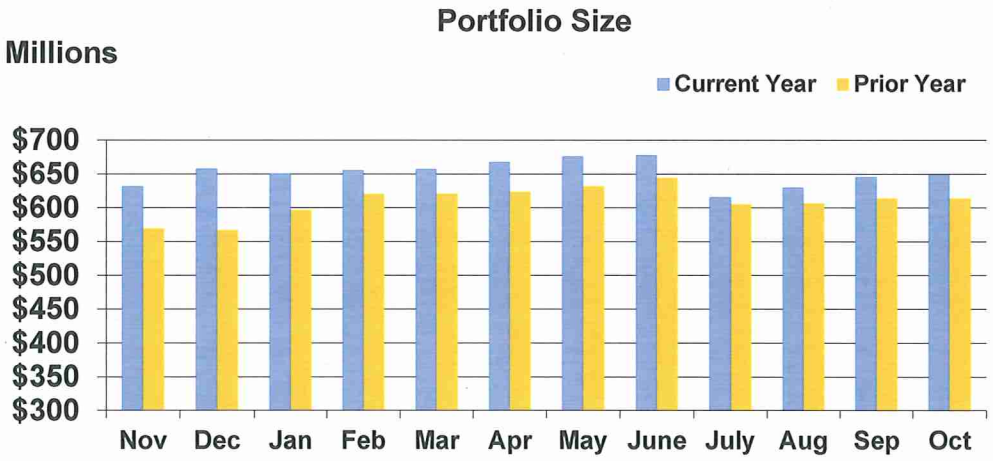
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer as of October 31, 2014.

Prepared by: David Carr, Assistant City Treasurer

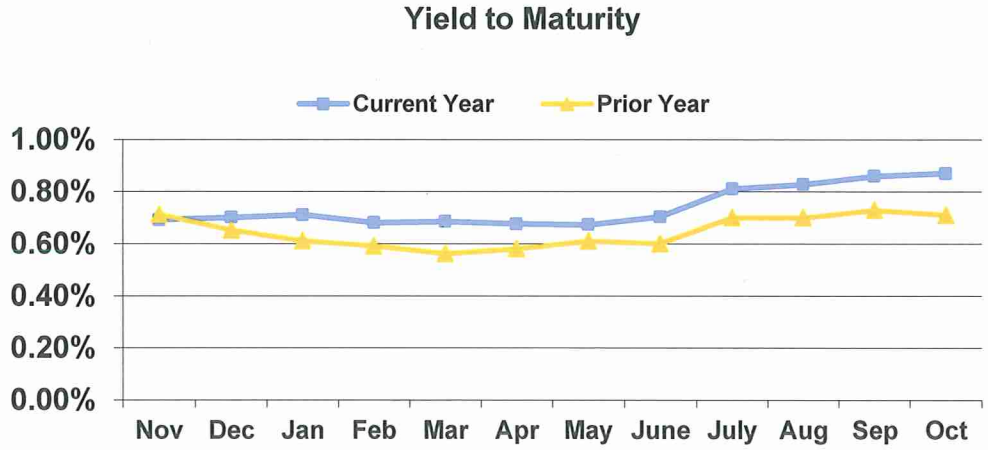
Attachments: 1 – Investment Highlights
2 – Investment Report

ATTACHMENT 1

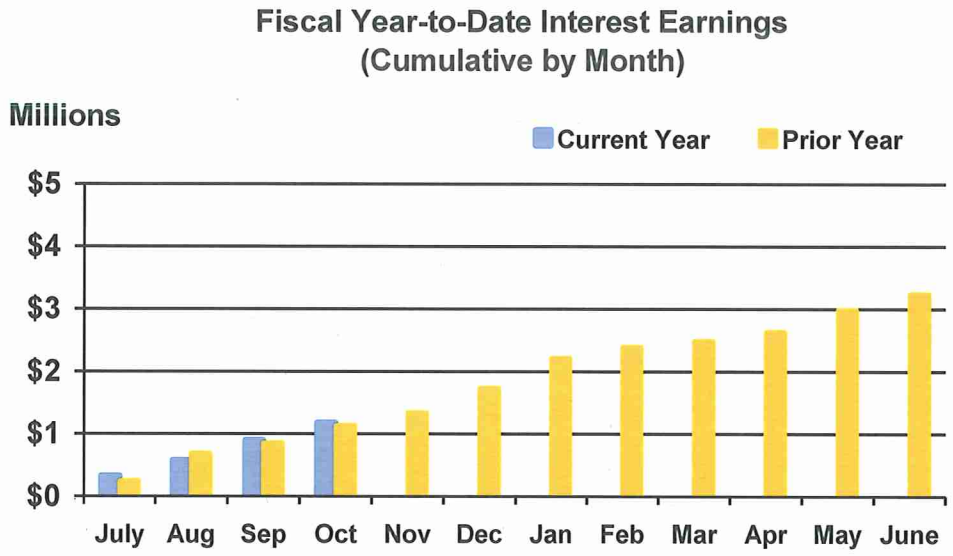
Investment Highlights
October 31, 2014



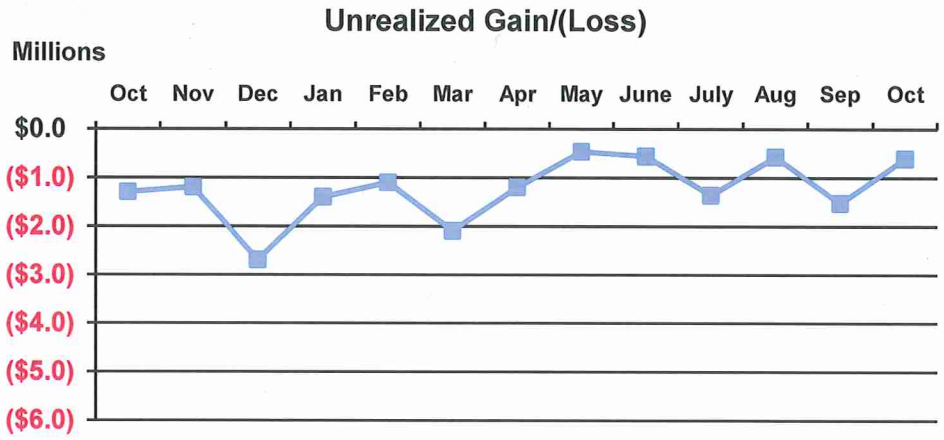
- As of October 31, 2014, the portfolio size is $649.4 million, $4 million more than in the prior month and $35 million more than one year earlier. Receipts have exceeded outflows over the last twelve months reflecting increased revenues and the timing of capital expenditures.



- As of October 31, 2014, yield to maturity is 0.87%.
- Up one basis point from the prior month and sixteen basis points from one year earlier.



- Fiscal year-to-date earnings (cash basis) are up 3.7% from one year earlier.



- As of October 31, 2014, the market value is about $0.6 million less than the unamortized book value (purchase price).

ATTACHMENT 2

City of
Santa Monica®

Investment Report
October 31, 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
October 31, 2014

Petty Cash/Change Funds		$28,947.00
Pooled Portfolio		
Wells Fargo Bank (1)	$93,757,047.78	
Bank of New York (BNY)		
Corporate Bonds	$99,188,419.78	
Treasury Bills	$2,991,338.32	
State of California Bonds	$3,027,915.00	
Federal Agencies Securities	$400,839,931.00	
Total Bank of New York	$506,047,604.10	
State of California Local Agency Investment Fund - City	$49,557,534.64	
Total Pooled Portfolio		$649,362,186.52
Restricted Cash/Investments Held in Trust/Debt Proceeds		
Union Bank - Redevelopment Agency Term Loan	$11,648,523.39	
Union Bank-Earthquake Recovery Redevelopment 2006		
Tax Allocation Refunding Bonds Series A & B	$2.91	
Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds	$2,767,753.47	
Union Bank-RDA 2011 Tax Allocation Bonds	$2,262,495.04	
BNY-2011 Parking Structure Series A & B	$0.00	
BNY-Library Improvement Project 2002	$13,517.79	
BNY-Ocean Park Redevelopment Project 2002 Refunding	$1,894,295.80	
BNY-Parking Authority Lease Revenue Bonds 2002 Refunding	$2.00	
BNY-Public Safety Facility Bonds 2009 Refunding	$1,123,364.80	
U.S. Bank-Wastewater Enterprise Revenue Bonds-2012 Refunding	$1.25	
U.S. Bank-Wastewater Enterprise Revenue Bonds-2005 Refunding	$0.00	
Total Restricted Cash/Investments Held in Trust		$19,709,956.45
Other Restricted Funds/Funds Held in Trust		
Cemetery Perpetual Care Fund (3)	$10,042,057.00	
Mausoleum Perpetual Care Fund (3)	$1,154,082.00	
Santa Monica Redevelopment Successor Agency RPTTF-Wells Fargo	$2,091,270.35	
Wells Fargo Bank - HUD Depository Account (4)	$1,557,633.83	
Wells Fargo Bank - Payroll Account	$134,654.25	
Wells Fargo Bank -RDA Successor Agency - OP Special Fund	$5,353,601.54	
Union Bank - W.E. O'Neil Direct Owner Costs PGW Escrow	$1,478,632.25	
Union Bank - Morley Direct Owner Costs Civic Escrow	$59,976.56	
Wells Fargo Bank - Public Agency Family Self Sufficiency Program (2)	$108,156.81	
Total Other Funds Held in Trust		$21,980,064.59
GRAND TOTAL		$691,081,154.56

City of Santa Monica
Cash Receipts, Disbursements and Cash Balances
October 31, 2014

(1) These are the actual bank account balances as of 10/31/2014. 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 Nelson Capital. Management. 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 Investments - September 30, 2014	645,395,832.90
Receipts	43,662,721.12
Disbursements	(39,696,367.50)
Cash and Investments - October 31, 2014	649,362,186.52

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 and Successor Agency accounts at Wells Fargo Bank .

Gigi Decavalles-Hughes
Director of Finance/City Treasurer

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
October 31, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Treasury Coupon Securities												
912828WT3	11477	U. S. Treasury Note		07/25/2014	3,000,000.00	3,004,440.00	2,991,338.32	0.875	1,086	0.982	987	07/15/2017
		Subtotal and Average	**2,991,338.32**		**3,000,000.00**	**3,004,440.00**	**2,991,338.32**		**1,086**	**0.982**	**987**	
Federal Agency Coupon												
3133EA6W3	11280	Federal Farm Credit Bank		01/17/2013	2,500,000.00	2,500,025.00	2,500,200.00	0.270	657	0.266	4	11/05/2014
3137EACY3	11416	Fed Home Loan Mortgage Corp		02/04/2014	3,000,000.00	3,001,260.00	3,015,000.00	0.750	294	0.131	24	11/25/2014
3134G3H78	11268	Fed Home Loan Mortgage Corp		11/06/2012	5,000,000.00	5,001,300.00	5,003,250.00	0.350	759	0.319	34	12/05/2014
3137EADA4	11179	Fed Home Loan Mortgage Corp		12/21/2011	2,500,000.00	2,502,150.00	2,497,225.00	0.625	1,104	0.662	58	12/29/2014
3130A0JV3	11403	Federal Home Loan Bank		01/07/2014	10,000,000.00	10,001,500.00	10,000,700.00	0.190	364	0.183	66	01/06/2015
3130A0LE8	11418	Federal Home Loan Bank		02/04/2014	4,000,000.00	4,000,320.00	4,000,280.00	0.170	339	0.162	69	01/09/2015
313381H24	11353	Federal Home Loan Bank		07/11/2013	3,000,000.00	3,000,870.00	2,998,200.00	0.250	554	0.290	76	01/16/2015
3130A0QU7	11412	Federal Home Loan Bank		01/23/2014	3,000,000.00	3,000,090.00	2,998,920.00	0.125	365	0.161	83	01/23/2015
3130A0TW0	11417	Federal Home Loan Bank		02/04/2014	4,000,000.00	3,999,720.00	3,998,520.00	0.125	364	0.162	94	02/03/2015
313376YQ2	11409	Federal Home Loan Bank		01/21/2014	1,000,000.00	1,000,730.00	1,002,300.00	0.400	388	0.183	104	02/13/2015
3133ECG81	11410	Federal Farm Credit Bank		01/21/2014	1,060,000.00	1,060,540.60	1,061,356.80	0.300	400	0.183	116	02/25/2015
3135G0HG1	11267	Federal National Mort Assoc		11/06/2012	2,500,000.00	2,502,375.00	2,502,400.00	0.375	860	0.334	135	03/16/2015
3130A1U97	11465	Federal Home Loan Bank		07/02/2014	5,000,000.00	4,999,600.00	4,999,750.00	0.125	301	0.131	179	04/29/2015
31331KLE8	11086	Federal Farm Credit Bank		05/18/2011	2,500,000.00	2,519,775.00	2,501,250.00	1.600	1,461	1.587	198	05/18/2015
3130A26M3	11454	Federal Home Loan Bank		06/03/2014	5,000,000.00	4,999,750.00	5,000,069.44	0.125	360	0.125	209	05/29/2015
31315P6C8	11450	Farmer Mac		05/27/2014	10,000,000.00	9,995,400.00	9,999,500.00	0.130	370	0.135	212	06/01/2015
313379ER6	11323	Federal Home Loan Bank		05/15/2013	3,000,000.00	3,007,050.00	3,015,210.00	0.500	758	0.255	223	06/12/2015
313379ER6	11396	Federal Home Loan Bank		12/23/2013	3,000,000.00	3,007,050.00	3,010,950.00	0.500	536	0.251	223	06/12/2015
3130A2FT8	11485	Federal Home Loan Bank		09/03/2014	5,000,000.00	4,998,650.00	5,000,284.72	0.125	289	0.150	230	06/19/2015
3130A2NH5	11471	Federal Home Loan Bank		07/22/2014	4,000,000.00	3,999,320.00	4,000,000.00	0.170	365	0.170	263	07/22/2015
3133ECHV9	11296	Federal Farm Credit Bank		03/21/2013	5,000,000.00	5,004,450.00	4,997,550.00	0.350	861	0.371	271	07/30/2015
313375PT8	11147	Federal Home Loan Bank		09/19/2011	2,500,000.00	2,511,625.00	2,500,000.00	0.750	1,410	0.750	271	07/30/2015
3133EDC59	11401	Federal Farm Credit Bank		01/03/2014	3,870,000.00	3,871,935.00	3,865,588.20	0.250	593	0.320	291	08/19/2015
3130A2ZY5	11488	Federal Home Loan Bank		09/15/2014	2,500,000.00	2,499,375.00	2,499,725.00	0.210	389	0.220	342	10/09/2015
3133EDQL9	11481	Federal Farm Credit Bank		08/27/2014	3,000,000.00	3,000,990.00	3,000,445.00	0.230	414	0.241	348	10/15/2015
31315P6X2	11499	Farmer Mac		10/29/2014	2,000,000.00	2,000,080.00	1,999,850.00	0.180	365	0.188	362	10/29/2015
3134G3W55	11455	Fed Home Loan Mortgage Corp		06/03/2014	3,000,000.00	3,005,820.00	3,009,817.50	0.450	539	0.235	388	11/24/2015
31331J4J9	11020	Federal Farm Credit Bank		12/07/2010	2,000,000.00	2,030,780.00	2,000,000.00	1.740	1,826	1.740	401	12/07/2015
3130A2QV1	11494	Federal Home Loan Bank		10/01/2014	5,000,000.00	5,001,200.00	5,005,066.67	0.340	481	0.310	450	01/25/2016
3133EDXD9	11495	Federal Farm Credit Bank		10/14/2014	4,000,000.00	3,998,960.00	4,000,000.00	0.430	548	0.430	530	04/14/2016
3135G0WW9	11324	Federal National Mort Assoc		05/20/2013	3,000,000.00	2,991,210.00	3,000,000.00	0.520	1,096	0.520	566	05/20/2016
3134G4W95	11429	Fed Home Loan Mortgage Corp		03/17/2014	4,000,000.00	3,996,160.00	4,000,000.00	0.500	823	0.500	594	06/17/2016

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
October 31, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon												
3133834R9	11322	Federal Home Loan Bank		05/15/2013	3,000,000.00	2,995,290.00	2,990,280.00	0.375	1,136	0.480	601	06/24/2016
3130A1BK3	11444	Federal Home Loan Bank		03/24/2014	5,000,000.00	4,997,350.00	5,000,000.00	0.500	823	0.500	601	06/24/2016
3130A2X27	11480	Federal Home Loan Bank		09/24/2014	2,500,000.00	2,497,150.00	2,500,000.00	0.515	639	0.515	601	06/24/2016
3134G4RT7	11399	Fed Home Loan Mortgage Corp		12/27/2013	3,000,000.00	2,999,670.00	3,000,000.00	0.530	913	0.530	604	06/27/2016
3134G4UU0	11420	Fed Home Loan Mortgage Corp		02/26/2014	5,000,000.00	5,001,500.00	5,000,000.00	0.600	912	0.600	664	08/26/2016
3133EA5W4	11260	Federal Farm Credit Bank		10/24/2012	5,000,000.00	5,000,150.00	5,000,000.00	0.650	1,461	0.650	723	10/24/2016
3135G0WS8	11316	Federal National Mort Assoc		05/15/2013	3,000,000.00	2,994,630.00	3,000,000.00	0.600	1,280	0.600	745	11/15/2016
313383CM1	11329	Federal Home Loan Bank		06/20/2013	3,000,000.00	2,991,150.00	3,000,000.00	0.600	1,279	0.600	780	12/20/2016
3134G5AQ8	11463	Fed Home Loan Mortgage Corp		06/30/2014	2,000,000.00	1,999,960.00	2,000,000.00	0.700	914	0.700	790	12/30/2016
3133EDNC2	11456	Federal Farm Credit Bank		06/13/2014	2,500,000.00	2,502,950.00	2,499,375.00	0.700	945	0.710	804	01/13/2017
31315PN88	11351	Farmer Mac		07/05/2013	2,000,000.00	2,013,880.00	2,000,000.00	1.100	1,301	1.100	817	01/26/2017
3134G3NT3	11370	Fed Home Loan Mortgage Corp		08/08/2013	2,500,000.00	2,505,900.00	2,499,125.00	1.000	1,299	1.010	849	02/27/2017
3133ECKV5	11302	Federal Farm Credit Bank		04/05/2013	3,000,000.00	2,985,300.00	3,000,000.00	0.700	1,522	0.700	947	06/05/2017
3130A0YE4	11428	Federal Home Loan Bank		03/12/2014	4,000,000.00	3,999,640.00	4,000,000.00	1.000	1,188	1.000	954	06/12/2017
3134G5HH1	11479	Fed Home Loan Mortgage Corp		09/19/2014	3,000,000.00	3,001,260.00	3,000,000.00	1.000	1,004	1.000	961	06/19/2017
3136G1NQ8	11336	Federal National Mort Assoc		06/19/2013	4,000,000.00	4,004,374.80	4,000,000.00	1.000	1,461	1.000	961	06/19/2017
3134G4MP0	11388	Fed Home Loan Mortgage Corp		12/20/2013	2,700,000.00	2,701,782.00	2,700,000.00	0.750	1,278	1.137	962	06/20/2017
3137EADH9	11335	Fed Home Loan Mortgage Corp		05/29/2013	3,000,000.00	3,009,660.00	3,009,930.00	1.000	1,492	0.976	971	06/29/2017
3137EADH9	11348	Fed Home Loan Mortgage Corp		06/27/2013	2,500,000.00	2,508,050.00	2,474,375.00	1.000	1,463	1.346	971	06/29/2017
3133EA4H8	11305	Federal Farm Credit Bank		04/04/2013	5,000,000.00	4,985,937.50	4,999,250.00	0.820	1,559	0.824	983	07/11/2017
3134G3ZH6	11341	Fed Home Loan Mortgage Corp		06/06/2013	4,000,000.00	4,003,920.00	4,000,000.00	1.000	1,510	1.000	997	07/25/2017
3137EADJ5	11290	Fed Home Loan Mortgage Corp		01/31/2013	2,500,000.00	2,504,296.75	2,509,875.00	1.000	1,639	0.910	1,000	07/28/2017
3137EADJ5	11394	Fed Home Loan Mortgage Corp		12/17/2013	5,000,000.00	5,008,593.50	4,992,900.00	1.000	1,319	1.040	1,000	07/28/2017
3134G4TS7	11406	Fed Home Loan Mortgage Corp		01/28/2014	5,000,000.00	5,010,850.00	5,000,000.00	1.150	1,277	1.150	1,000	07/28/2017
3136G22T3	11468	Federal National Mort Assoc		07/28/2014	4,000,000.00	4,001,320.00	4,000,000.00	1.050	1,096	1.050	1,000	07/28/2017
3135G0ZF3	11491	Federal National Mort Assoc		09/17/2014	4,000,000.00	4,004,374.80	4,005,825.56	1.070	1,045	1.070	1,000	07/28/2017
3134G3B90	11243	Fed Home Loan Mortgage Corp		08/15/2012	2,000,000.00	1,996,120.00	1,998,520.00	0.875	1,826	0.890	1,018	08/15/2017
3130A25G7	11453	Federal Home Loan Bank		06/05/2014	3,000,000.00	2,995,500.00	2,999,526.00	1.050	1,188	1.055	1,039	09/05/2017
3135G0PP2	11425	Federal National Mort Assoc		02/12/2014	2,500,000.00	2,501,525.00	2,492,050.00	1.000	1,316	1.090	1,054	09/20/2017
3133EA3J5	11253	Federal Farm Credit Bank		10/10/2012	5,000,000.00	4,956,400.00	5,000,000.00	0.900	1,826	0.900	1,074	10/10/2017
3134G3T42	11458	Fed Home Loan Mortgage Corp		06/05/2014	3,000,000.00	2,999,400.00	3,018,500.00	1.500	1,257	1.343	1,108	11/13/2017
3136G03Y5	11264	Federal National Mort Assoc		11/21/2012	5,000,000.00	4,998,350.00	5,000,000.00	0.750	1,826	0.750	1,116	11/21/2017
3136G05Q0	11269	Federal National Mort Assoc		11/27/2012	5,000,000.00	5,001,850.00	5,000,000.00	0.700	1,826	0.700	1,122	11/27/2017
3134G44N5	11317	Fed Home Loan Mortgage Corp		05/28/2013	3,000,000.00	2,959,080.00	3,000,000.00	0.750	1,645	0.750	1,123	11/28/2017
3130A0ZX1	11432	Federal Home Loan Bank		03/19/2014	4,000,000.00	4,003,800.00	4,000,000.00	1.150	1,371	1.150	1,144	12/19/2017
3133823A9	11285	Federal Home Loan Bank		02/22/2013	5,000,000.00	4,969,200.00	5,000,000.00	1.150	1,826	1.150	1,209	02/22/2018

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
October 31, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon												
3130A0XC9	11435	Federal Home Loan Bank		02/26/2014	4,000,000.00	4,018,560.00	4,000,000.00	1.300	1,461	1.300	1,213	02/26/2018
3136G1DA4	11286	Federal National Mort Assoc		02/28/2013	5,000,000.00	5,001,800.00	5,000,000.00	1.000	1,826	1.171	1,215	02/28/2018
3134G37H7	11301	Fed Home Loan Mortgage Corp		04/25/2013	5,000,000.00	4,968,350.00	5,000,000.00	1.150	1,826	1.150	1,271	04/25/2018
31315PYT0	11318	Farmer Mac		05/02/2013	3,000,000.00	2,977,968.60	3,000,000.00	0.990	1,826	0.990	1,278	05/02/2018
3133EDRW4	11484	Federal Farm Credit Bank		09/02/2014	2,000,000.00	2,000,140.00	2,002,333.33	1.500	1,340	1.500	1,280	05/04/2018
3135G0XA6	11319	Federal National Mort Assoc		05/21/2013	3,000,000.00	2,964,570.00	3,000,000.00	1.030	1,826	1.030	1,297	05/21/2018
313382Z63	11325	Federal Home Loan Bank		05/22/2013	5,000,000.00	4,985,200.00	5,000,000.00	0.750	1,826	0.700	1,298	05/22/2018
3134G55C5	11448	Fed Home Loan Mortgage Corp		05/28/2014	4,000,000.00	4,003,680.00	4,000,000.00	1.500	1,458	1.503	1,301	05/25/2018
313379DT3	11386	Federal Home Loan Bank		11/12/2013	4,000,000.00	3,982,840.00	3,960,880.00	1.250	1,669	1.472	1,315	06/08/2018
313383EN7	11334	Federal Home Loan Bank		06/20/2013	5,000,000.00	4,976,700.00	5,000,000.00	1.000	1,826	1.000	1,327	06/20/2018
313383C25	11345	Federal Home Loan Bank		06/25/2013	2,500,000.00	2,471,875.00	2,412,500.00	1.200	1,821	1.818	1,327	06/20/2018
3134G47M4	11338	Fed Home Loan Mortgage Corp		06/26/2013	3,000,000.00	2,982,600.00	2,999,250.00	1.500	1,826	1.505	1,333	06/26/2018
313383GK1	11337	Federal Home Loan Bank		06/27/2013	3,800,000.00	3,777,314.00	3,800,000.00	1.125	1,826	1.125	1,334	06/27/2018
3133EDQ21	11464	Federal Farm Credit Bank		07/09/2014	5,000,000.00	5,000,300.00	5,000,000.00	1.470	1,461	1.470	1,346	07/09/2018
3133EDQZ8	11474	Federal Farm Credit Bank		07/23/2014	2,500,000.00	2,490,125.00	2,498,750.00	1.520	1,461	1.533	1,360	07/23/2018
3136G22V8	11469	Federal National Mort Assoc		07/25/2014	4,000,000.00	4,031,250.00	4,000,000.00	1.500	1,461	1.500	1,362	07/25/2018
3134G5CY9	11470	Fed Home Loan Mortgage Corp		07/30/2014	5,000,000.00	5,014,700.00	5,000,000.00	1.500	1,461	1.500	1,367	07/30/2018
3134G5CY9	11492	Fed Home Loan Mortgage Corp		09/19/2014	2,500,000.00	2,507,350.00	2,494,479.17	1.500	1,410	1.614	1,367	07/30/2018
3130A2Q33	11482	Federal Home Loan Bank		09/02/2014	2,000,000.00	1,979,200.00	2,001,688.89	1.600	1,441	1.600	1,381	08/13/2018
3130A2PD2	11475	Federal Home Loan Bank		08/14/2014	2,000,000.00	2,000,440.00	2,000,000.00	1.000	1,461	1.000	1,382	08/14/2018
3134G54Z5	11447	Fed Home Loan Mortgage Corp		05/28/2014	3,000,000.00	3,014,670.00	3,000,000.00	1.500	1,553	1.500	1,396	08/28/2018
3130A3BE3	11496	Federal Home Loan Bank		10/23/2014	2,000,000.00	1,998,720.00	2,000,000.00	1.750	1,461	1.750	1,452	10/23/2018
3134G4L30	11385	Fed Home Loan Mortgage Corp		11/26/2013	5,000,000.00	5,005,050.00	5,000,000.00	1.700	1,826	1.700	1,486	11/26/2018
3134G4RZ3	11400	Fed Home Loan Mortgage Corp		12/26/2013	5,000,000.00	5,006,550.00	5,000,000.00	1.000	1,826	1.000	1,516	12/26/2018
3134G4QX9	11405	Fed Home Loan Mortgage Corp		01/08/2014	5,000,000.00	5,010,400.00	4,992,500.00	1.500	1,814	1.531	1,517	12/27/2018
31315P4H9	11415	Farmer Mac		01/30/2014	5,000,000.00	5,016,150.00	5,000,000.00	1.950	1,826	1.950	1,551	01/30/2019
3134G4VE5	11422	Fed Home Loan Mortgage Corp		02/27/2014	3,000,000.00	3,013,230.00	3,000,000.00	1.800	1,826	1.800	1,579	02/27/2019
3134G4VM7	11426	Fed Home Loan Mortgage Corp		03/11/2014	5,000,000.00	5,007,000.00	5,000,000.00	1.500	1,826	1.500	1,591	03/11/2019
3134G4WL8	11434	Fed Home Loan Mortgage Corp		03/19/2014	4,000,000.00	4,016,480.00	4,000,000.00	1.750	1,826	1.750	1,599	03/19/2019
3134G4Y28	11441	Fed Home Loan Mortgage Corp		03/27/2014	5,000,000.00	5,020,100.00	5,000,000.00	1.550	1,826	1.550	1,607	03/27/2019
3130A1DL9	11442	Federal Home Loan Bank		04/02/2014	4,000,000.00	4,000,360.00	4,000,000.00	2.010	1,826	0.376	1,613	04/02/2019
3130A1S74	11446	Federal Home Loan Bank		05/16/2014	5,000,000.00	5,003,200.00	5,000,000.00	2.030	1,826	2.030	1,657	05/16/2019
3130A23F1	11452	Federal Home Loan Bank		05/30/2014	5,000,000.00	5,003,125.00	5,000,000.00	1.000	1,824	1.000	1,669	05/28/2019
3130A27B6	11483	Federal Home Loan Bank		09/02/2014	2,000,000.00	2,000,180.00	2,008,200.00	1.800	1,742	1.800	1,682	06/10/2019
3130A2C87	11457	Federal Home Loan Bank		06/26/2014	3,000,000.00	3,006,180.00	3,000,000.00	1.500	1,826	1.500	1,698	06/26/2019
3130A2DX1	11460	Federal Home Loan Bank		07/09/2014	3,000,000.00	3,002,550.00	3,000,000.00	1.000	1,826	2.178	1,711	07/09/2019

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Portfolio Details - Investments
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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
Federal Agency Coupon												
3130A32U7	11489	Federal Home Loan Bank		10/09/2014	2,500,000.00	2,504,450.00	2,500,000.00	2.000	1,734	2.000	1,711	07/09/2019
3136G23W5	11478	Federal National Mort Assoc		08/28/2014	3,000,000.00	3,002,310.00	3,000,000.00	2.000	1,826	2.000	1,761	08/28/2019
3130A2ZC3	11497	Federal Home Loan Bank		10/23/2014	2,500,000.00	2,498,550.00	2,500,798.61	0.500	1,803	0.507	1,794	09/30/2019
3136G26T9	11486	Federal National Mort Assoc		09/30/2014	2,500,000.00	2,512,625.00	2,500,000.00	2.050	1,826	2.050	1,794	09/30/2019
3136G26U6	11487	Federal National Mort Assoc		10/07/2014	2,500,000.00	2,508,475.00	2,500,000.00	2.000	1,826	2.000	1,801	10/07/2019
		Subtotal and Average	**402,505,601.52**		**395,930,000.00**	**395,905,542.55**	**395,844,319.89**		**1,256**	**0.919**	**923**	
Federal Agency Discount												
313396CQ4	11445	Fed Home Loan Mortgage Corp		04/22/2014	5,000,000.00	4,999,150.00	4,995,611.11	0.100	316	0.103	123	03/04/2015
		Subtotal and Average	**4,995,611.11**		**5,000,000.00**	**4,999,150.00**	**4,995,611.11**		**316**	**0.103**	**123**	
Local Agency Investment Funds												
SYS10090	10090	Local Agency Investment Fund			49,557,534.64	49,557,534.64	49,557,534.64	0.261	1	0.261	1	
		Subtotal and Average	**49,543,906.09**		**49,557,534.64**	**49,557,534.64**	**49,557,534.64**		**1**	**0.261**	**1**	
Columbia Money Market Fund												
SYS10091	10091	Columbia Money Market Reserves		09/15/2006	0.00	0.00	0.00	0.010	1	0.010	1	
		Subtotal and Average	**0.00**		**0.00**	**0.00**	**0.00**		**0**	**0.000**	**0**	
Local Agency Investment Funds - RDA												
SYS10092	10092	LAIF - RDA		03/17/2009	0.00	0.00	0.00	0.385	1	0.385	1	
		Subtotal and Average	**0.00**		**0.00**	**0.00**	**0.00**		**0**	**0.000**	**0**	
Corporate Bonds												
89233P5N2	11358	Toyota Motor Credit Corp		07/19/2013	2,000,000.00	2,000,600.00	2,021,280.00	1.250	486	0.445	16	11/17/2014
94974BEU0	11451	Wells Fargo Bank		05/27/2014	5,000,000.00	5,072,750.00	5,150,375.96	3.625	323	0.215	165	04/15/2015
459200HD6	11397	IBM Corp		12/23/2013	2,278,000.00	2,283,695.00	2,292,761.44	0.750	504	0.280	191	05/11/2015
94974BFE5	11287	Wells Fargo & Compnay		01/31/2013	2,000,000.00	2,014,980.00	2,032,480.00	1.500	881	0.820	242	07/01/2015
94974BFE5	11443	Wells Fargo & Compnay		04/22/2014	4,523,000.00	4,556,877.27	4,580,984.86	1.500	435	0.420	242	07/01/2015
89233P6J0	11357	Toyota Motor Credit Corp		07/19/2013	2,000,000.00	2,007,740.00	2,009,720.00	0.875	728	0.629	258	07/17/2015
94985H5F7	11363	Wells Fargo Bank		07/29/2013	2,500,000.00	2,507,625.00	2,499,125.00	0.750	721	0.768	261	07/20/2015
594918AG9	11211	Microsoft		05/10/2012	5,000,000.00	5,056,300.00	5,170,600.00	1.625	1,233	0.602	328	09/25/2015
084670BG2	11291	Berkshire Hathaway		02/11/2013	2,000,000.00	2,003,640.00	2,005,620.00	0.800	1,095	0.705	467	02/11/2016
037833AH3	11320	Apple Inc.		05/06/2013	3,000,000.00	2,998,440.00	3,002,430.00	0.450	1,093	0.423	549	05/03/2016
478160AY0	11293	Johnson & Johnson		02/12/2013	2,000,000.00	2,048,460.00	2,105,040.00	2.150	1,188	0.522	561	05/15/2016

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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
Corporate Bonds												
89236TAL9	11333	Toyota Motor Credit Corp		05/28/2013	3,000,000.00	3,010,290.00	3,008,190.00	0.800	1,085	0.707	563	05/17/2016
94974BFL9	11362	Wells Fargo & Compnay		07/29/2013	3,000,000.00	3,020,280.00	2,997,120.00	1.250	1,087	1.283	627	07/20/2016
459200GX3	11473	IBM Corp		07/24/2014	4,000,000.00	4,087,400.00	4,106,353.33	1.950	729	0.612	629	07/22/2016
742718DV8	11352	Procter & Gamble		07/05/2013	1,985,000.00	2,012,829.70	2,011,658.55	1.450	1,137	1.010	653	08/15/2016
427866AP3	11449	HERSHEY COMPANY		05/20/2014	947,000.00	1,025,013.86	1,049,579.04	5.450	835	0.656	670	09/01/2016
90521APH5	11431	UnionBanc Investments		02/24/2014	4,000,000.00	4,027,500.00	4,068,800.00	1.500	945	0.827	695	09/26/2016
88579YAD3	11467	3M		07/08/2014	3,544,000.00	3,594,785.52	3,605,842.80	1.375	814	0.584	698	09/29/2016
717081DD2	11430	Pfizer Inc		02/24/2014	4,000,000.00	3,991,874.80	4,008,800.00	0.900	1,056	0.823	806	01/15/2017
1727275	11500	Cisco Systems		10/27/2014	5,000,000.00	5,009,000.00	5,039,850.00	1.100	858	0.828	853	03/03/2017
88579YAE1	11392	3M		12/10/2013	2,500,000.00	2,495,875.00	2,495,925.00	1.000	1,294	1.047	968	06/26/2017
88579YAE1	11393	3M		12/10/2013	2,500,000.00	2,495,875.00	2,495,475.00	1.000	1,294	1.052	968	06/26/2017
64952WBK8	11283	New York Life		01/23/2013	2,855,000.00	2,843,066.10	2,872,529.70	1.300	1,741	1.167	1,094	10/30/2017
594918AP9	11311	Microsoft		04/30/2013	2,500,000.00	2,477,625.00	2,505,000.00	0.875	1,660	0.931	1,110	11/15/2017
19416QEB2	11476	Colgate Palmolive		07/28/2014	1,500,000.00	1,467,075.00	1,476,097.50	0.900	1,373	1.396	1,277	05/01/2018
037833AJ9	11321	Apple Inc.		05/06/2013	2,500,000.00	2,451,850.00	2,505,600.00	1.000	1,823	0.954	1,279	05/03/2018
037833AJ9	11326	Apple Inc.		05/17/2013	2,500,000.00	2,451,850.00	2,478,975.00	1.000	1,812	1.175	1,279	05/03/2018
478160BG8	11391	Johnson & Johnson		12/05/2013	2,000,000.00	2,008,980.00	2,000,080.00	1.650	1,826	1.649	1,495	12/05/2018
17275RAR3	11502	Cisco Systems		10/30/2014	2,500,000.00	2,509,900.00	2,540,456.60	2.125	1,583	1.819	1,581	03/01/2019
037833AQ3	11461	Apple Inc.		06/13/2014	3,000,000.00	3,016,920.00	3,017,575.00	2.100	1,788	2.020	1,647	05/06/2019
90520EAF8	11493	MUFG UNION BANK		09/30/2014	4,000,000.00	3,980,840.00	4,027,080.00	2.250	1,679	2.301	1,647	05/06/2019
89236TBP9	11472	Toyota Motor Credit Corp		07/21/2014	4,000,000.00	4,004,640.00	4,000,708.33	2.125	1,823	2.125	1,720	07/18/2019
084670BL1	11490	Berkshire Hathaway		09/16/2014	4,000,000.00	4,021,960.00	4,006,306.67	2.100	1,793	2.106	1,747	08/14/2019
		Subtotal and Average	**97,483,716.56**		**98,132,000.00**	**98,556,537.25**	**99,188,419.78**		**1,152**	**0.998**	**828**	
State of California Obligations												
13063CKL3	11459	State of California		06/09/2014	3,000,000.00	3,028,530.00	3,027,915.00	2.250	1,787	2.100	1,642	05/01/2019
		Subtotal and Average	**3,027,915.00**		**3,000,000.00**	**3,028,530.00**	**3,027,915.00**		**1,787**	**2.100**	**1,642**	
		Total and Average	**560,548,088.60**		**554,619,534.64**	**555,051,734.44**	**555,605,138.74**		**1,119**	**0.874**	**821**	

City of Santa Monica
Portfolio Management
Activity By Type
October 1, 2014 through October 31, 2014

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Treasury Coupon Securities							
		Subtotal					**2,991,338.32**
Federal Agency Coupon							
3133EDXD9	11495	Federal Farm Credit Bank	0.430	10/14/2014	4,000,000.00	0.00	
313381VK8	11292	Federal Home Loan Bank	0.575	10/29/2014	0.00	1,998,000.00	
313383PD7	11349	Federal Home Loan Bank	1.250	10/28/2014	0.00	2,498,075.00	
3130A2EA0	11462	Federal Home Loan Bank	0.180	10/10/2014	0.00	5,000,000.00	
3130A32U7	11489	Federal Home Loan Bank	2.000	10/09/2014	2,500,000.00	0.00	
3130A2QV1	11494	Federal Home Loan Bank	0.340	10/01/2014	5,001,950.00	0.00	
3130A3BE3	11496	Federal Home Loan Bank	1.750	10/23/2014	2,000,000.00	0.00	
3130A2ZC3	11497	Federal Home Loan Bank	0.500	10/23/2014	2,500,000.00	0.00	
3134G4HZ4	11404	Fed Home Loan Mortgage Corp	0.500	10/28/2014	0.00	3,004,830.00	
3134G4TE8	11407	Fed Home Loan Mortgage Corp	0.700	10/28/2014	0.00	1,998,520.00	
3134G5CJ2	11466	Fed Home Loan Mortgage Corp	2.000	10/30/2014	0.00	5,000,000.00	
31315P6X2	11499	Farmer Mac	0.180	10/29/2014	1,999,850.00	0.00	
3136G26U6	11487	Federal National Mort Assoc	2.000	10/07/2014	2,500,000.00	0.00	
		Subtotal			**20,501,800.00**	**19,499,425.00**	**395,844,319.89**
Federal Agency Discount							
		Subtotal					**4,995,611.11**
Local Agency Investment Funds (Monthly Summary)							
SYS10090	10090	Local Agency Investment Fund	0.261		30,177.51	0.00	
		Subtotal			**30,177.51**	**0.00**	**49,557,534.64**
Columbia Money Market Fund (Monthly Summary)							
		Subtotal					**0.00**
Local Agency Investment Funds - RDA (Monthly Summary)							
		Subtotal					**0.00**
Corporate Bonds							
1727275	11500	Cisco Systems	1.100	10/27/2014	5,031,600.00	0.00	
17275RAR3	11502	Cisco Systems	2.125	10/30/2014	2,531,750.00	0.00	
459200GZ8	11270	IBM Corp	0.875	10/31/2014	0.00	5,052,250.00	

City of Santa Monica
Portfolio Management
Activity By Type
October 1, 2014 through October 31, 2014

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Corporate Bonds							
		Subtotal			7,563,350.00	5,052,250.00	99,188,419.78
State of California Obligations							
		Subtotal					3,027,915.00
		Total			28,095,327.51	24,551,675.00	555,605,138.74

Overview

As of October 31, 2014, total City cash and investments (including cash held for the Successor Agency to the Redevelopment Agency) were $691.1 million, a $3.1 million increase from the prior month. Most of the increase was in the pooled portfolio reflecting a typical revenue and expenditure pattern for the month of October. Total cash and investments are categorized as follows:

Petty Cash/Change Funds	$	28,947.00
Pooled Investment Portfolio	$	649,362,186.52
Restricted Cash/Investment Held in Trust	$	19,709,956.45
Other Funds Held in Trust	$	21,980,064.59
Total	$	691,081,154.56

Definitions

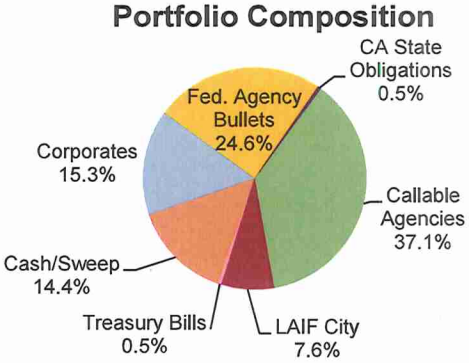
- Basis Point – One hundredth of one percent (.01%)
- Book (Reported) Value – The price paid for the security at purchase
- Bullets – A security with a fixed coupon or interest rate that cannot be redeemed by the issuer before the maturity date
- Callable Securities – A security that can be redeemed 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
- 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 October 31, 2014, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is $649.4 million, $4 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. As noted above, the October increase reflects a fairly typical revenue and expenditure pattern for the month. Nine investments were made during the month ($28.1 million), one investment matured ($5.1 million), one investment was sold ($2.5 million), and five investments were called ($17 million). The State Local Agency Investment Fund (LAIF) account balance was unchanged. The balance of cash held at Wells Fargo Bank was increased slightly to $93.8 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. Details of the main portfolio follow.

Portfolio Composition

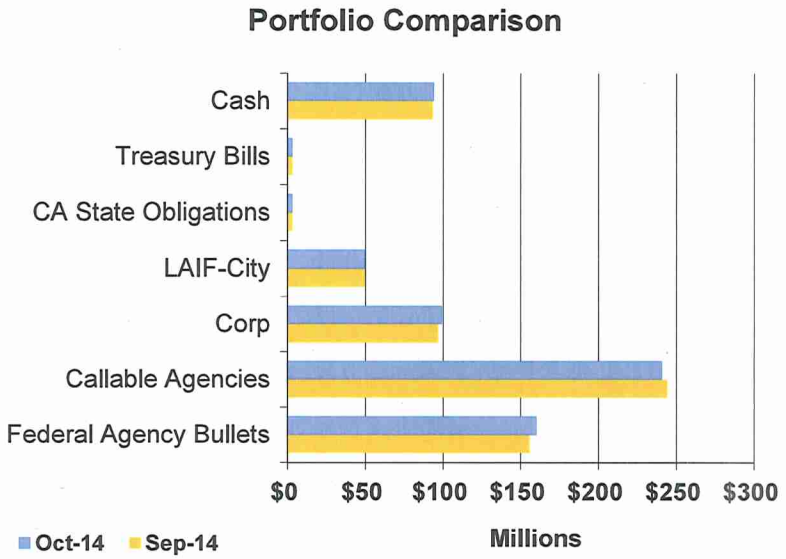
The portfolio is appropriately diversified and is in compliance with the City's Investment Policy and applicable provisions of the State Government Code. The largest sector of the portfolio is Federal Agency Securities (61.7%). The remaining 38.3% includes the State Local Agency Investment Fund (7.6%), corporate bonds (15.3%), CA State Obligations (0.5%), Treasury Bills (0.5%), and cash (14.4%). 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 strategy.



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 October. 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 2013, the City, RDA Successor

Agency, and the State Department of Finance entered in a settlement agreement, which has reduced some of the uncertainty. As of October 31, the City is still awaiting the final results of the State Controller's audit. In anticipation of these final results, staff has begun to rebalance the portfolio. However, it will take some time to complete the rebalancing. 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.



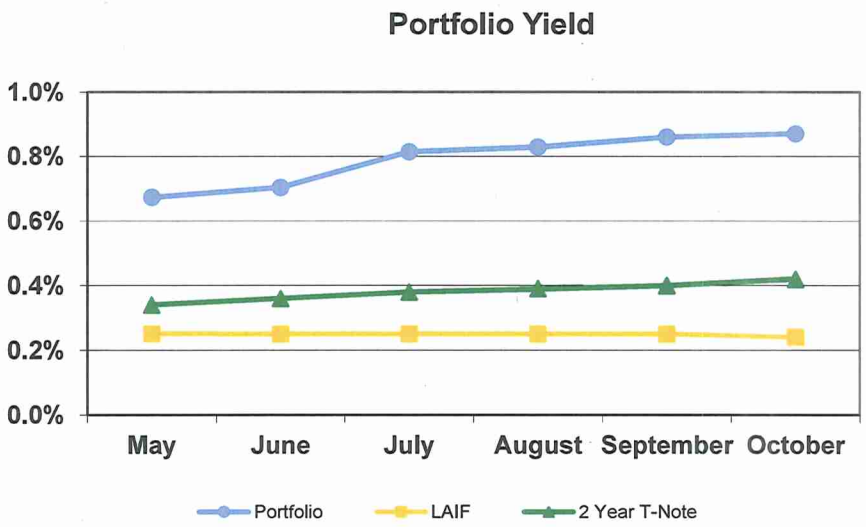
Rebalancing of Portfolio

As noted in the previous reports, the City has begun implementing revisions to the investment strategy that is 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 October, 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 $24,425, but overall portfolio yield increased slightly. Staff will continue to look for prudent opportunities.

Portfolio Yield

The portfolio yield-to-maturity was 0.87% as of October 31, 2014, up one basis point from the prior month and sixteen 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. However, rates have also been very volatile. The month-end two-year Constant Maturing Treasury security yield (CMT) ended the month at 0.5%, down eight basis points from the prior month,

but still well above the twelve month moving average of .42%. As noted earlier, a significant amount of the portfolio is still being held in very liquid investments with short maturities, which also presents a downward pressure on the portfolio yield. 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 October. 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.



Overall, interest rates in the two to five year maturity range fell sharply in October after a steep rise in September. Rates have become very volatile in recent months as the two year CMT month-end rate has varied from a low of .33% to a high of .58% this year. Rates are expected to remain relatively low through at least the first half of 2015. The twelve month moving average LAIF yield fell to a new record low of 0.24% in October and has not shown an increase for over six years. The month-end LAIF rate was 0.26%.

At its October meeting, the Federal Open Market Committee (Fed) left the target Fed Funds rate unchanged at a range of 0% to 0.25%. The Fed policy statement indicated that while it did see a moderately expanding economy including a strengthening labor market, low inflation, better household spending, and the beginnings of a turnaround in business investment, it believes continued support is needed to foster continuing economic growth. Therefore, the Fed still expects it to be some time before they begin to raise interest rates. Preliminary third quarter GDP showed a very strong 5% gain after a 4.6% increase in the second quarter. Most recent economic projections predict annualized growth in the 2.5-3% range for the remainder of 2014 and 2015. Unemployment dropped to a six year low of 5.7% in October, but the housing market data showed only slow growth. The stock market, as measured by the Dow Jones Industrial Average rose 2% to record levels.

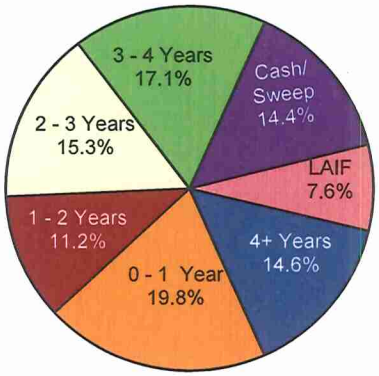
The City's portfolio yield-to-maturity has begun to increase after over five years of decreases. Rates have risen substantially during 2014. However, there is still some pressure on interest rates and the level of increase is expected to level off or reverse in the near term. However, modest portfolio yield increases can be anticipated as the new investment strategy is implemented and the RDA situation is completely resolved.

Net investment income in October was $0.3 million. Fiscal year-to-date revenues on a cash basis ended the month up 3.7% from the same period last year.

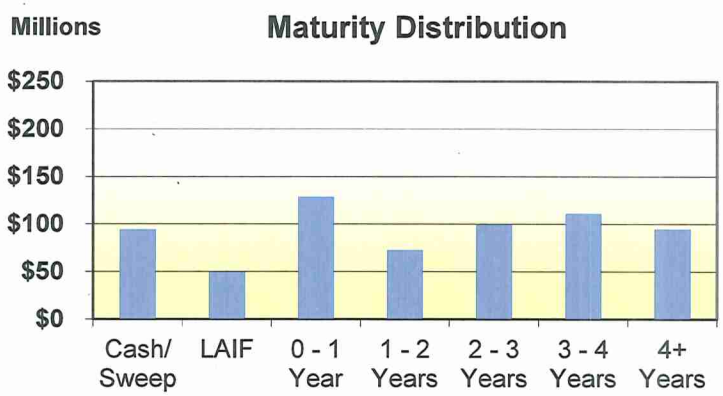
Maturity Distribution

The weighted average days to maturity of the portfolio as of October 31, 2014 is 821 days (2.2 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. Also, the City continues to maintain high liquidity in the portfolio pending the final impact of RDA dissolution. Approximately half of the portfolio continues to be held in maturities of 2 years or less (including cash and LAIF balances).

Portfolio Maturities



As interest rates have started to advance over the last several months, fewer bonds have been called. However, the interest rate environment is still extremely low compared to historical standards and continues to be very volatile. Based on this the portfolio's average days to maturity will likely continue to vary over the next several months. While many investments are still being made in shorter term securities, some investments in longer term securities to replace matured or called bonds are being made to take advantage of the yield curve. As noted earlier, interest rates are still expected to remain relatively low into at least to mid-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 October 31, 2014, the market value and the book value of the City's pooled investments (excluding cash) are:

Market Value	$ 555,051,734.44
Book Value (purchase Price)	$ 555,605,138.74
Unrealized Gain / (Loss)	$ (553,404.30)

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 October 31, 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. The City's investment portfolio includes two bonds issued by Berkshire Hathaway Company (BRK) with a total book value of $6,001,926.67. One of those bonds with a book value of $2,005,620 was purchased before Berkshire Hathaway bonds were 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/ Fitch	Moodys	In Compliance (Yes/No)
Best Quality	AAA	Aaa	Yes
High Quality	AA+	Aa1	Yes
	AA	Aa2	Yes
	AA-	Aa3	Yes
Upper Medium Grade	A+	A1	Yes
	A	A2	Yes
	A-	A3	Yes
Medium Grade	BBB+	Baa1	No
	BBB	Baa2	No
	BBB-	Baa3	No

Portfolio Allocation as of 10/31/14

	Pooled Portfolio (1) (3)	% of Portfolio	Legal/ Policy Limit	In Compliance (Yes/No)
Federal Agency Securities				
Federal Home Loan Bank	$146,703,849.33	22.6%	50.0%	Yes
Federal National Mortgage Association	53,000,275.56	8.2%	50.0%	Yes
Federal Home Loan Mortgage Corporation	125,210,357.78	19.3%	50.0%	Yes
Farmer Mac	21,999,350.00	3.4%	50.0%	Yes
Federal Farm Credit Bank	53,926,098.33	8.3%	50.0%	Yes
Total Federal Agency Securities	$400,839,931.00	61.7%	n/a	Yes
Treasury Bills	$2,991,338.32	0.5%	n/a	Yes
State of CA Obligations	$3,027,915.00	0.5%	n/a	Yes
Corporate Bonds	$99,188,419.78	15.3%	30.0%	Yes
Money Market Mutual Funds	$0.00	0.0%	10.0%	Yes
State Local Agency Investment Fund-City	$49,557,534.64	7.6%	$50 million	Yes
Cash (2)	$93,757,047.78	14.4%	None	Yes
Total (Book Value)	**$649,362,186.52**	100.0%		

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 ($1,557,633.83), Successor Agency RPTTF account ($2,091,270.35, Ocean Park Special Fund ($5,353,601.54), payroll account ($134,654.25) 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).

City Portfolio as of 10/31/14 (Book Value)

Security	Pooled Portfolio	Credit Rating*	In Compliance (Yes/No)
Corporate			
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	$5,150,375.96	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	$6,613,464.86	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
IBM 1.95% maturing 7/22/16	$4,106,353.33	AA-	Yes
Procter & Gamble 1.45% maturing 8/15/16	$2,011,658.55	AA-	Yes
Hershey Company 5.45% maturing 9/1/16	$1,049,579.04	A	Yes
UnionBanc Investments 1.5% maturing 9/26/16	$4,068,800.00	A+	Yes
3M Corp. 1.375% maturing 9/29/16	$3,605,842.80	AA-	Yes
Pfizer, Inc. 0.9% maturing 1/15/17	$4,008,800.00	AA	Yes
Cisco Systems 1.1% maturing 3/3/17	$5,039,850.00	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
Colgate Palmolive 0.9% maturing 5/1/18	$1,476,097.50	AA-	Yes
Apple Inc. 1% maturing 5/3/18	$4,984,575.00	AA+	Yes
Johnson & Johnson 1.65% maturing 12/05/18	$2,000,080.00	AAA	Yes
Cisco Systems 2.125% maturing 3/1/19	$2,540,456.60	AA-	Yes
MFUG Union Bank 2.25% maturing 5/6/19	$4,027,080.00	A+	Yes
Apple Inc. 2.1% maturing 5/6/19	$3,017,575.00	AA+	Yes
Toyota Motor Credit Corp. 2.125% maturing 7/18/19	$4,000,708.33	AA-	Yes
Berkshire Hathaway 2.18% maturing 8/14/19	$4,006,306.67	AA	Yes

* Per Standard and Poors

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.

Gigi Decavalles-Hughes, Director of Finance/City Treasurer