City of
Santa Monica®

Information Item

Date: April 10, 2015

To: Mayor and City Council

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

Subject: City Monthly Cash and Investment Report for November 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 November 30, 2014.

Discussion

The November 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 $11 million in November to $660.4 million and is now $29 million more than one year ago. 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 0.89% is two basis points higher than the prior month and twenty basis points higher than in November 2013. Net investment earnings for the month were $0.5 million. Fiscal year-to-date earnings are 22.3% greater than for the same period last year. Despite a slight upward trend in portfolio yield and the increased investment income, 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. However, as this uncertainty dissipates, the City will begin rebalancing in a prudent and orderly manner over the next six to twelve months, which should result in additional yield increases.

In addition to the pooled portfolio, the City's total cash holdings as of November 30, 2014 included $21.4 million in debt proceeds held in trust with various fiscal agents,

$22.4 million in other funds held in trust, and $29,222 in petty cash/change funds for a total balance of $704.2 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 November 30, 2014, the market value of the City's portfolio was approximately $0.1 million greater than the book value.

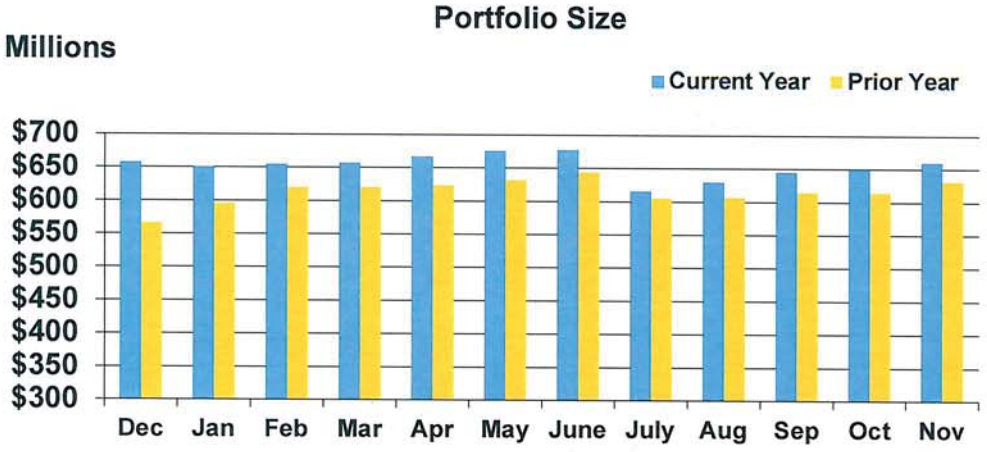
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer as of November 30, 2014.

Prepared by: David Carr, Assistant City Treasurer

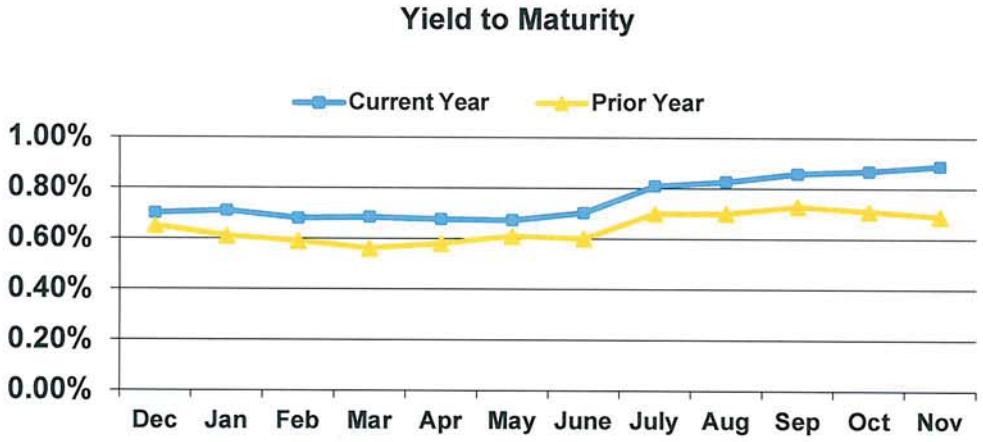
Attachments: 1 – Investment Highlights
2 – Investment Report

ATTACHMENT 1

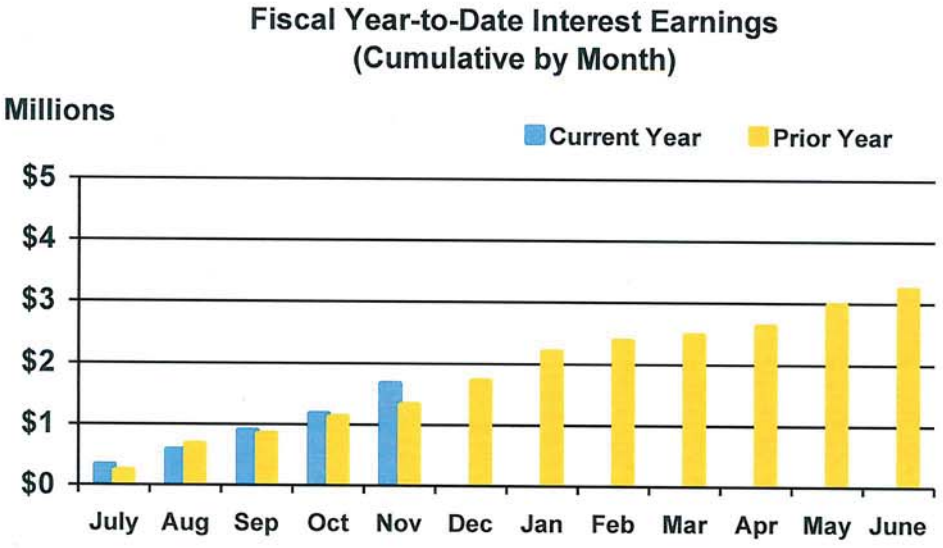
Investment Highlights
November 30, 2014



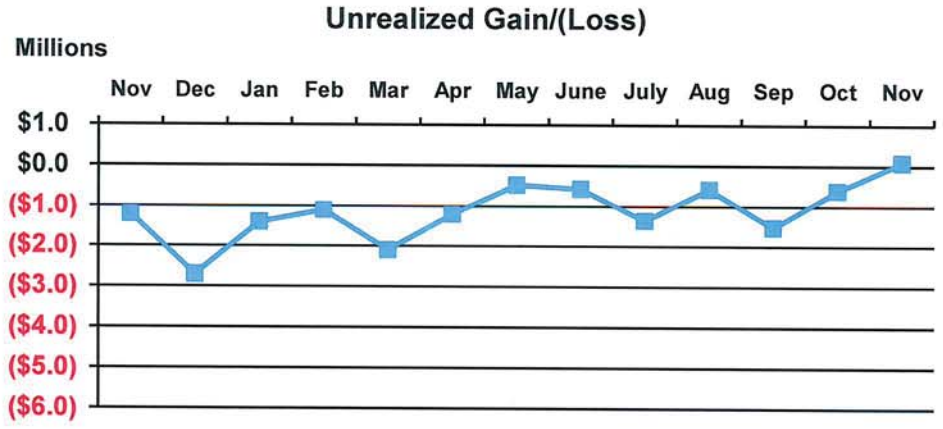
- As of November 30, 2014, the portfolio size is $660.4 million, $11 million more than in the prior month and $29 million more than one year earlier. Receipts have exceeded outflows over the last twelve months reflecting increased revenues and the timing of capital expenditures.



- As of November 30, 2014, yield to maturity is 0.89%.
- Up two basis points from the prior month and twenty basis points from one year earlier.



- Fiscal year-to-date earnings (cash basis) are up 22.3% from one year earlier.



- As of November 30, 2014, the market value is about $0.1 million more than the unamortized book value (purchase price).

ATTACHMENT 2

City of
Santa Monica®

Investment Report
November 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
November 30, 2014

Petty Cash/Change Funds		$29,222.00
Pooled Portfolio		
Wells Fargo Bank (1)	$76,570,249.70	
Bank of New York (BNY)		
Corporate Bonds	$119,910,562.31	
Treasury Bills	$2,991,338.32	
State of California Bonds	$3,020,790.00	
Federal Agencies Securities	$408,303,200.06	
Total Bank of New York	$534,225,890.69	
State of California Local Agency Investment Fund - City	$49,557,534.64	
Total Pooled Portfolio		$660,353,675.03
Restricted Cash/Investments Held in Trust/Debt Proceeds		
Union Bank - Redevelopment Agency Term Loan	$11,648,637.45	
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	$2,767,780.85	
Union Bank-RDA 2011 Tax Allocation Bonds	$2,262,517.21	
BNY-2011 Parking Structure Series A & B	$1,652,540.63	
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	$1,123,365.99	
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		$21,362,661.88
Other Restricted Funds/Funds Held in Trust		
Cemetery Perpetual Care Fund (3)	$10,426,839.00	
Mausoleum Perpetual Care Fund (3)	$1,205,393.00	
Santa Monica Redevelopment Successor Agency RPTTF-Wells Fargo	$2,091,301.29	
Wells Fargo Bank - HUD Depository Account (4)	$1,564,275.70	
Wells Fargo Bank - Payroll Account	$130,602.58	
Wells Fargo Bank -RDA Successor Agency - OP Special Fund	$5,353,601.54	
Union Bank - W.E. O'Neil Direct Owner Costs PGW Escrow	$1,478,646.88	
Union Bank - Morley Direct Owner Costs Civic Escrow	$59,977.26	
Wells Fargo Bank - Public Agency Family Self Sufficiency Program (2)	$113,122.64	
Total Other Funds Held in Trust		$22,423,759.89
GRAND TOTAL		$704,169,318.80

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

(1) These are the actual bank account balances as of 11/30/2014. 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 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:

Receipts	46,966,955.64
Disbursements	(35,975,467.13)
Cash and Investments - November 30, 2014	660,353,675.03

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
November 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
Treasury Coupon Securities												
912828WT3	11477	U. S. Treasury Note		07/25/2014	3,000,000.00	3,008,670.00	2,991,338.32	0.875	1,086	0.982	957	07/15/2017
		Subtotal and Average	**2,991,338.32**		**3,000,000.00**	**3,008,670.00**	**2,991,338.32**		**1,086**	**0.982**	**957**	
Federal Agency Coupon												
3134G3H78	11268	Fed Home Loan Mortgage Corp		11/06/2012	5,000,000.00	5,000,150.00	5,003,250.00	0.350	759	0.319	4	12/05/2014
3137EADA4	11179	Fed Home Loan Mortgage Corp		12/21/2011	2,500,000.00	2,500,975.00	2,497,225.00	0.625	1,104	0.662	28	12/29/2014
3130A0JV3	11403	Federal Home Loan Bank		01/07/2014	10,000,000.00	10,001,000.00	10,000,700.00	0.190	364	0.183	36	01/06/2015
3130A0LE8	11418	Federal Home Loan Bank		02/04/2014	4,000,000.00	4,000,200.00	4,000,280.00	0.170	339	0.162	39	01/09/2015
313381H24	11353	Federal Home Loan Bank		07/11/2013	3,000,000.00	3,000,510.00	2,998,200.00	0.250	554	0.290	46	01/16/2015
3130A0QU7	11412	Federal Home Loan Bank		01/23/2014	3,000,000.00	3,000,210.00	2,998,920.00	0.125	365	0.161	53	01/23/2015
3130A0TW0	11417	Federal Home Loan Bank		02/04/2014	4,000,000.00	3,999,840.00	3,998,520.00	0.125	364	0.162	64	02/03/2015
313376YQ2	11409	Federal Home Loan Bank		01/21/2014	1,000,000.00	1,000,540.00	1,002,300.00	0.400	388	0.183	74	02/13/2015
3133ECG81	11410	Federal Farm Credit Bank		01/21/2014	1,060,000.00	1,060,424.00	1,061,356.80	0.300	400	0.183	86	02/25/2015
3135G0HG1	11267	Federal National Mort Assoc		11/06/2012	2,500,000.00	2,501,875.00	2,502,400.00	0.375	860	0.334	105	03/16/2015
3130A1U97	11465	Federal Home Loan Bank		07/02/2014	5,000,000.00	4,999,700.00	4,999,750.00	0.125	301	0.131	149	04/29/2015
31331KLE8	11086	Federal Farm Credit Bank		05/18/2011	2,500,000.00	2,516,850.00	2,501,250.00	1.600	1,461	1.587	168	05/18/2015
3130A26M3	11454	Federal Home Loan Bank		06/03/2014	5,000,000.00	4,999,700.00	5,000,000.00	0.125	360	0.125	179	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	182	06/01/2015
313379ER6	11323	Federal Home Loan Bank		05/15/2013	3,000,000.00	3,005,010.00	3,015,210.00	0.500	758	0.255	193	06/12/2015
313379ER6	11396	Federal Home Loan Bank		12/23/2013	3,000,000.00	3,005,010.00	3,010,950.00	0.500	536	0.251	193	06/12/2015
3130A2FT8	11485	Federal Home Loan Bank		09/03/2014	5,000,000.00	5,000,400.00	5,000,284.72	0.125	289	0.150	200	06/19/2015
3130A2NH5	11471	Federal Home Loan Bank		07/22/2014	4,000,000.00	3,999,120.00	4,000,000.00	0.170	365	0.170	233	07/22/2015
3133ECHV9	11296	Federal Farm Credit Bank		03/21/2013	5,000,000.00	5,006,200.00	4,997,550.00	0.350	861	0.371	241	07/30/2015
313375PT8	11147	Federal Home Loan Bank		09/19/2011	2,500,000.00	2,510,225.00	2,500,000.00	0.750	1,410	0.750	241	07/30/2015
3133EDC59	11401	Federal Farm Credit Bank		01/03/2014	3,870,000.00	3,871,277.10	3,865,588.20	0.250	593	0.320	261	08/19/2015
3130A2ZY5	11488	Federal Home Loan Bank		09/15/2014	2,500,000.00	2,499,275.00	2,499,725.00	0.210	389	0.220	312	10/09/2015
3133EDQL9	11481	Federal Farm Credit Bank		08/27/2014	3,000,000.00	3,000,468.60	3,000,445.00	0.230	414	0.241	318	10/15/2015
31315P6X2	11499	Farmer Mac		10/29/2014	2,000,000.00	1,999,820.00	1,999,850.00	0.180	365	0.188	332	10/29/2015
3134G3W55	11455	Fed Home Loan Mortgage Corp		06/03/2014	3,000,000.00	3,004,950.00	3,009,480.00	0.450	539	0.235	358	11/24/2015
31331J4J9	11020	Federal Farm Credit Bank		12/07/2010	2,000,000.00	2,029,500.00	2,000,000.00	1.740	1,826	1.740	371	12/07/2015
3130A2QV1	11494	Federal Home Loan Bank		10/01/2014	5,000,000.00	5,004,900.00	5,005,066.67	0.340	481	0.310	420	01/25/2016
313375RN9	11504	Federal Home Loan Bank		11/04/2014	3,000,000.00	3,025,980.00	3,030,696.67	1.000	493	0.353	466	03/11/2016
3130A3KJ2	11514	Federal Home Loan Bank		11/21/2014	3,000,000.00	3,000,270.00	3,000,000.00	0.320	483	0.320	473	03/18/2016
3133EDXD9	11495	Federal Farm Credit Bank		10/14/2014	4,000,000.00	4,001,440.00	4,000,000.00	0.430	548	0.430	500	04/14/2016
3134G4W95	11429	Fed Home Loan Mortgage Corp		03/17/2014	4,000,000.00	3,998,040.00	4,000,000.00	0.500	823	0.500	564	06/17/2016
3133EDNS7	11508	Federal Farm Credit Bank		11/06/2014	2,105,000.00	2,104,670.99	2,107,883.85	0.450	592	0.470	567	06/20/2016

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
November 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
Federal Agency Coupon												
3133834R9	11322	Federal Home Loan Bank		05/15/2013	3,000,000.00	2,999,940.00	2,990,280.00	0.375	1,136	0.480	571	06/24/2016
3130A1BK3	11444	Federal Home Loan Bank		03/24/2014	5,000,000.00	5,000,550.00	5,000,000.00	0.500	823	0.500	571	06/24/2016
3130A2X27	11480	Federal Home Loan Bank		09/24/2014	2,500,000.00	2,498,725.00	2,500,000.00	0.515	639	0.515	571	06/24/2016
3134G4RT7	11399	Fed Home Loan Mortgage Corp		12/27/2013	3,000,000.00	3,000,810.00	3,000,000.00	0.530	913	0.530	574	06/27/2016
313383R78	11516	Federal Home Loan Bank		11/21/2014	2,825,000.00	2,837,740.75	2,845,883.81	0.750	605	0.457	595	07/18/2016
3134G4UU0	11420	Fed Home Loan Mortgage Corp		02/26/2014	5,000,000.00	5,003,700.00	5,000,000.00	0.600	912	0.600	634	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	693	10/24/2016
3135G0WS8	11316	Federal National Mort Assoc		05/15/2013	3,000,000.00	2,997,090.00	3,000,000.00	0.600	1,280	0.600	715	11/15/2016
313383CM1	11329	Federal Home Loan Bank		06/20/2013	3,000,000.00	2,994,300.00	3,000,000.00	0.600	1,279	0.600	750	12/20/2016
3134G5AQ8	11463	Fed Home Loan Mortgage Corp		06/30/2014	2,000,000.00	2,000,920.00	2,000,000.00	0.700	914	0.700	760	12/30/2016
3133EDNC2	11456	Federal Farm Credit Bank		06/13/2014	2,500,000.00	2,504,850.00	2,499,375.00	0.700	945	0.710	774	01/13/2017
31315PN88	11351	Farmer Mac		07/05/2013	2,000,000.00	2,015,020.00	2,000,000.00	1.100	1,301	1.100	787	01/26/2017
3134G3NT3	11370	Fed Home Loan Mortgage Corp		08/08/2013	2,500,000.00	2,504,525.00	2,499,125.00	1.000	1,299	1.010	819	02/27/2017
3133ECKV5	11302	Federal Farm Credit Bank		04/05/2013	3,000,000.00	2,989,290.00	3,000,000.00	0.700	1,522	0.700	917	06/05/2017
3130A0YE4	11428	Federal Home Loan Bank		03/12/2014	4,000,000.00	4,000,960.00	4,000,000.00	1.000	1,188	1.000	924	06/12/2017
3134G5HH1	11479	Fed Home Loan Mortgage Corp		09/19/2014	3,000,000.00	3,005,190.00	3,000,000.00	1.000	1,004	1.000	931	06/19/2017
3136G1NQ8	11336	Federal National Mort Assoc		06/19/2013	4,000,000.00	4,001,680.00	4,000,000.00	1.000	1,461	1.000	931	06/19/2017
3134G4MP0	11388	Fed Home Loan Mortgage Corp		12/20/2013	2,700,000.00	2,700,729.00	2,700,000.00	0.750	1,278	1.137	932	06/20/2017
3137EADH9	11335	Fed Home Loan Mortgage Corp		05/29/2013	3,000,000.00	3,015,060.00	3,009,930.00	1.000	1,492	0.976	941	06/29/2017
3137EADH9	11348	Fed Home Loan Mortgage Corp		06/27/2013	2,500,000.00	2,512,550.00	2,474,375.00	1.000	1,463	1.346	941	06/29/2017
3134G57G4	11510	Fed Home Loan Mortgage Corp		11/06/2014	3,000,000.00	3,001,950.00	3,010,710.00	1.020	967	1.019	942	06/30/2017
3133EA4H8	11305	Federal Farm Credit Bank		04/04/2013	5,000,000.00	4,986,150.00	4,999,250.00	0.820	1,559	0.824	953	07/11/2017
3134G3ZH6	11341	Fed Home Loan Mortgage Corp		06/06/2013	4,000,000.00	4,011,520.00	4,000,000.00	1.000	1,510	1.000	967	07/25/2017
3137EADJ5	11290	Fed Home Loan Mortgage Corp		01/31/2013	2,500,000.00	2,510,675.00	2,509,875.00	1.000	1,639	0.910	970	07/28/2017
3137EADJ5	11394	Fed Home Loan Mortgage Corp		12/17/2013	5,000,000.00	5,021,350.00	4,992,900.00	1.000	1,319	1.040	970	07/28/2017
3134G4TS7	11406	Fed Home Loan Mortgage Corp		01/28/2014	5,000,000.00	5,008,593.50	5,000,000.00	1.150	1,277	1.150	970	07/28/2017
3136G22T3	11468	Federal National Mort Assoc		07/28/2014	4,000,000.00	4,006,840.00	4,000,000.00	1.050	1,096	1.050	970	07/28/2017
3135G0ZF3	11491	Federal National Mort Assoc		09/17/2014	4,000,000.00	4,016,360.00	4,005,825.56	1.070	1,045	1.070	970	07/28/2017
3134G3B90	11243	Fed Home Loan Mortgage Corp		08/15/2012	2,000,000.00	1,999,900.00	1,998,520.00	0.875	1,826	0.890	988	08/15/2017
3130A25G7	11453	Federal Home Loan Bank		06/05/2014	3,000,000.00	3,000,270.00	2,999,526.00	1.050	1,188	1.055	1,009	09/05/2017
3135G0PP2	11425	Federal National Mort Assoc		02/12/2014	2,500,000.00	2,504,050.00	2,492,050.00	1.000	1,316	1.090	1,024	09/20/2017
3133EA3J5	11253	Federal Farm Credit Bank		10/10/2012	5,000,000.00	4,967,350.00	5,000,000.00	0.900	1,826	0.900	1,044	10/10/2017
3134G5LV5	11498	Fed Home Loan Mortgage Corp		11/17/2014	2,500,000.00	2,499,425.00	2,499,910.00	1.000	1,096	1.001	1,082	11/17/2017
3136G03Y5	11264	Federal National Mort Assoc		11/21/2012	5,000,000.00	5,003,200.00	5,000,000.00	0.750	1,826	0.750	1,086	11/21/2017
3136G05Q0	11269	Federal National Mort Assoc		11/27/2012	5,000,000.00	5,004,500.00	5,000,000.00	0.750	1,826	0.730	1,092	11/27/2017
3134G44N5	11317	Fed Home Loan Mortgage Corp		05/28/2013	3,000,000.00	2,965,920.00	3,000,000.00	0.750	1,645	0.750	1,093	11/28/2017

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
November 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
Federal Agency Coupon												
3130A0ZX1	11432	Federal Home Loan Bank		03/19/2014	4,000,000.00	4,002,000.00	4,000,000.00	1.150	1,371	1.150	1,114	12/19/2017
3133823A9	11285	Federal Home Loan Bank		02/22/2013	5,000,000.00	4,981,750.00	5,000,000.00	1.150	1,826	1.150	1,179	02/22/2018
3130A0XC9	11435	Federal Home Loan Bank		02/26/2014	4,000,000.00	4,027,280.00	4,000,000.00	1.300	1,461	1.300	1,183	02/26/2018
3136G1DA4	11286	Federal National Mort Assoc		02/28/2013	5,000,000.00	5,007,950.00	5,000,000.00	1.000	1,826	1.171	1,185	02/28/2018
3134G4YP7	11503	Fed Home Loan Mortgage Corp		11/04/2014	3,000,000.00	3,002,430.00	3,004,625.00	1.500	1,239	1.500	1,212	03/27/2018
3134G37H7	11301	Fed Home Loan Mortgage Corp		04/25/2013	5,000,000.00	4,979,150.00	5,000,000.00	1.150	1,826	1.150	1,241	04/25/2018
31315PYT0	11318	Farmer Mac		05/02/2013	3,000,000.00	2,985,300.00	3,000,000.00	0.990	1,826	0.990	1,248	05/02/2018
3133EDRW4	11484	Federal Farm Credit Bank		09/02/2014	2,000,000.00	2,000,140.00	2,000,000.00	1.500	1,340	1.500	1,250	05/04/2018
3135G0XA6	11319	Federal National Mort Assoc		05/21/2013	3,000,000.00	2,989,260.00	3,000,000.00	1.030	1,826	1.030	1,267	05/21/2018
313382Z63	11325	Federal Home Loan Bank		05/22/2013	5,000,000.00	5,002,100.00	5,000,000.00	0.750	1,826	0.700	1,268	05/22/2018
3134G55C5	11448	Fed Home Loan Mortgage Corp		05/28/2014	4,000,000.00	4,009,880.00	4,000,000.00	1.500	1,458	1.503	1,271	05/25/2018
313379DT3	11386	Federal Home Loan Bank		11/12/2013	4,000,000.00	3,994,880.00	3,960,880.00	1.250	1,669	1.472	1,285	06/08/2018
313383EN7	11334	Federal Home Loan Bank		06/20/2013	5,000,000.00	4,991,200.00	5,000,000.00	1.000	1,826	1.000	1,297	06/20/2018
313383C25	11345	Federal Home Loan Bank		06/25/2013	2,500,000.00	2,481,100.00	2,412,500.00	1.200	1,821	1.818	1,297	06/20/2018
3134G47M4	11338	Fed Home Loan Mortgage Corp		06/26/2013	3,000,000.00	3,002,430.00	2,999,250.00	1.500	1,826	1.505	1,303	06/26/2018
313383GK1	11337	Federal Home Loan Bank		06/27/2013	3,800,000.00	3,791,184.00	3,800,000.00	1.125	1,826	1.125	1,304	06/27/2018
3133EDQ21	11464	Federal Farm Credit Bank		07/09/2014	5,000,000.00	5,012,250.00	5,000,000.00	1.470	1,461	1.470	1,316	07/09/2018
3133EDQZ8	11474	Federal Farm Credit Bank		07/23/2014	2,500,000.00	2,512,400.00	2,498,750.00	1.520	1,461	1.533	1,330	07/23/2018
3136G22V8	11469	Federal National Mort Assoc		07/25/2014	4,000,000.00	4,044,640.00	4,000,000.00	1.500	1,461	1.500	1,332	07/25/2018
3134G5CY9	11470	Fed Home Loan Mortgage Corp		07/30/2014	5,000,000.00	5,028,300.00	5,000,000.00	1.500	1,461	1.500	1,337	07/30/2018
3134G5CY9	11492	Fed Home Loan Mortgage Corp		09/19/2014	2,500,000.00	2,514,150.00	2,494,479.17	1.500	1,410	1.614	1,337	07/30/2018
3130A2Q33	11482	Federal Home Loan Bank		09/02/2014	2,000,000.00	2,000,140.00	2,001,688.89	1.600	1,441	1.600	1,351	08/13/2018
3130A2PD2	11475	Federal Home Loan Bank		08/14/2014	2,000,000.00	2,001,875.00	2,000,000.00	1.000	1,461	1.000	1,352	08/14/2018
3134G54Z5	11447	Fed Home Loan Mortgage Corp		05/28/2014	3,000,000.00	3,015,468.60	3,000,000.00	1.500	1,553	1.500	1,366	08/28/2018
3130A3BE3	11496	Federal Home Loan Bank		10/23/2014	2,000,000.00	2,002,812.40	2,000,000.00	1.750	1,461	1.750	1,422	10/23/2018
3134G4RZ3	11400	Fed Home Loan Mortgage Corp		12/26/2013	5,000,000.00	5,003,200.00	5,000,000.00	1.000	1,826	1.000	1,486	12/26/2018
3134G4QX9	11405	Fed Home Loan Mortgage Corp		01/08/2014	5,000,000.00	5,005,100.00	4,992,500.00	1.500	1,814	1.531	1,487	12/27/2018
31315P4H9	11415	Farmer Mac		01/30/2014	5,000,000.00	5,014,650.00	5,000,000.00	1.950	1,826	1.950	1,521	01/30/2019
3134G4VE5	11422	Fed Home Loan Mortgage Corp		02/27/2014	3,000,000.00	3,010,470.00	3,000,000.00	1.800	1,826	1.800	1,549	02/27/2019
3134G4VM7	11426	Fed Home Loan Mortgage Corp		03/11/2014	5,000,000.00	5,001,900.00	5,000,000.00	1.500	1,826	1.500	1,561	03/11/2019
3134G4WL8	11434	Fed Home Loan Mortgage Corp		03/19/2014	4,000,000.00	4,017,240.00	4,000,000.00	1.750	1,826	1.750	1,569	03/19/2019
3134G4Y28	11441	Fed Home Loan Mortgage Corp		03/27/2014	5,000,000.00	5,021,200.00	5,000,000.00	1.550	1,826	1.550	1,577	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	1,583	04/02/2019
3130A1S74	11446	Federal Home Loan Bank		05/16/2014	5,000,000.00	5,003,750.00	5,000,000.00	2.030	1,826	2.030	1,627	05/16/2019
3130A23F1	11452	Federal Home Loan Bank		05/30/2014	5,000,000.00	5,009,950.00	5,000,000.00	1.250	1,824	1.225	1,639	05/28/2019
3130A27B6	11483	Federal Home Loan Bank		09/02/2014	2,000,000.00	2,000,200.00	2,008,200.00	1.800	1,742	1.800	1,652	06/10/2019

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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												
3130A2C87	11457	Federal Home Loan Bank		06/26/2014	3,000,000.00	3,002,940.00	3,000,000.00	1.500	1,826	1.500	1,668	06/26/2019
3130A2DX1	11460	Federal Home Loan Bank		07/09/2014	3,000,000.00	3,003,000.00	3,000,000.00	1.000	1,826	2.178	1,681	07/09/2019
3130A32U7	11489	Federal Home Loan Bank		10/09/2014	2,500,000.00	2,504,625.00	2,500,000.00	2.000	1,734	2.000	1,681	07/09/2019
3136G23W5	11478	Federal National Mort Assoc		08/28/2014	3,000,000.00	3,017,580.00	3,000,000.00	2.000	1,826	2.000	1,731	08/28/2019
3130A2ZC3	11497	Federal Home Loan Bank		10/23/2014	2,500,000.00	2,500,525.00	2,500,798.61	0.500	1,803	0.507	1,764	09/30/2019
3136G26T9	11486	Federal National Mort Assoc		09/30/2014	2,500,000.00	2,525,175.00	2,500,000.00	2.050	1,826	2.050	1,764	09/30/2019
3136G26U6	11487	Federal National Mort Assoc		10/07/2014	2,500,000.00	2,521,875.00	2,500,000.00	2.000	1,826	2.000	1,771	10/07/2019
3134G5MF9	11501	Fed Home Loan Mortgage Corp		11/12/2014	2,500,000.00	2,502,425.00	2,500,000.00	1.250	1,826	1.250	1,807	11/12/2019
31315PQ28	11511	Farmer Mac		11/20/2014	2,000,000.00	2,005,280.00	2,000,000.00	1.970	1,826	1.970	1,815	11/20/2019
		Subtotal and Average	**404,457,066.83**		**403,360,000.00**	**403,787,278.94**	**403,307,588.95**		**1,245**	**0.920**	**904**	
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	93	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**	**93**	
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	**49,557,534.64**		**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												
94974BEU0	11451	Wells Fargo Bank		05/27/2014	5,000,000.00	5,061,550.00	5,150,375.96	3.625	323	0.215	135	04/15/2015
459200HD6	11397	IBM Corp		12/23/2013	2,278,000.00	2,283,057.16	2,292,761.44	0.750	504	0.280	161	05/11/2015
94974BFE5	11287	Wells Fargo & Compnay		01/31/2013	2,000,000.00	2,014,620.00	2,032,480.00	1.500	881	0.820	212	07/01/2015
94974BFE5	11443	Wells Fargo & Compnay		04/22/2014	4,523,000.00	4,556,063.13	4,580,984.86	1.500	435	0.420	212	07/01/2015
89233P6J0	11357	Toyota Motor Credit Corp		07/19/2013	2,000,000.00	2,006,700.00	2,009,720.00	0.875	728	0.629	228	07/17/2015
94985H5F7	11363	Wells Fargo Bank		07/29/2013	2,500,000.00	2,507,075.00	2,499,125.00	0.750	721	0.768	231	07/20/2015
594918AG9	11211	Microsoft		05/10/2012	5,000,000.00	5,054,750.00	5,170,600.00	1.625	1,233	0.602	298	09/25/2015

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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												
46623EJR1	11506	JP Morgan Chase		11/06/2014	2,000,000.00	2,007,980.00	2,012,243.33	1.000	343	0.410	318	10/15/2015
084670BG2	11291	Berkshire Hathaway		02/11/2013	2,000,000.00	2,007,740.00	2,005,620.00	0.800	1,095	0.705	437	02/11/2016
037833AH3	11320	Apple Inc.		05/06/2013	3,000,000.00	3,000,300.00	3,002,430.00	0.450	1,093	0.423	519	05/03/2016
478160AY0	11293	Johnson & Johnson		02/12/2013	2,000,000.00	2,047,680.00	2,105,040.00	2.150	1,188	0.522	531	05/15/2016
89236TAL9	11333	Toyota Motor Credit Corp		05/28/2013	3,000,000.00	3,013,350.00	3,008,190.00	0.800	1,085	0.707	533	05/17/2016
94974BFL9	11362	Wells Fargo & Compnay		07/29/2013	3,000,000.00	3,022,170.00	2,997,120.00	1.250	1,087	1.283	597	07/20/2016
459200GX3	11473	IBM Corp		07/24/2014	4,000,000.00	4,086,920.00	4,106,353.33	1.950	729	0.612	599	07/22/2016
742718DV8	11352	Procter & Gamble		07/05/2013	1,985,000.00	2,013,385.50	2,011,658.55	1.450	1,137	1.010	623	08/15/2016
427866AP3	11449	HERSHEY COMPANY		05/20/2014	947,000.00	1,023,669.12	1,049,579.04	5.450	835	0.656	640	09/01/2016
90521APH5	11431	UnionBanc Investments		02/24/2014	4,000,000.00	4,028,160.00	4,068,800.00	1.500	945	0.827	665	09/26/2016
88579YAD3	11467	3M		07/08/2014	3,544,000.00	3,592,198.40	3,605,842.80	1.375	814	0.584	668	09/29/2016
478160BF0	11518	Johnson & Johnson		11/25/2014	4,000,000.00	4,006,080.00	4,005,200.00	0.700	734	0.635	728	11/28/2016
19416QDX5	11509	Colgate Palmolive		11/10/2014	3,698,000.00	3,736,755.04	3,749,116.63	1.300	797	0.851	776	01/15/2017
717081DD2	11430	Pfizer Inc		02/24/2014	4,000,000.00	4,002,320.00	4,008,800.00	0.900	1,056	0.823	776	01/15/2017
1727275	11500	Cisco Systems		10/27/2014	5,000,000.00	5,017,550.00	5,039,850.00	1.100	858	0.828	823	03/03/2017
88579YAE1	11392	3M		12/10/2013	2,500,000.00	2,500,200.00	2,495,925.00	1.000	1,294	1.047	938	06/26/2017
88579YAE1	11393	3M		12/10/2013	2,500,000.00	2,500,200.00	2,495,475.00	1.000	1,294	1.052	938	06/26/2017
64952WBK8	11283	New York Life		01/23/2013	2,855,000.00	2,854,000.75	2,872,529.70	1.300	1,741	1.167	1,064	10/30/2017
594918AP9	11311	Microsoft		04/30/2013	2,500,000.00	2,481,025.00	2,505,000.00	0.875	1,660	0.931	1,080	11/15/2017
458140AL4	11513	Intel		11/20/2014	3,000,000.00	2,997,570.00	3,012,697.50	1.350	1,121	1.403	1,110	12/15/2017
19416QEB2	11476	Colgate Palmolive		07/28/2014	1,500,000.00	1,473,900.00	1,472,835.00	0.900	1,373	1.396	1,247	05/01/2018
037833AJ9	11321	Apple Inc.		05/06/2013	2,500,000.00	2,464,525.00	2,505,600.00	1.000	1,823	0.954	1,249	05/03/2018
037833AJ9	11326	Apple Inc.		05/17/2013	2,500,000.00	2,464,525.00	2,478,975.00	1.000	1,812	1.175	1,249	05/03/2018
478160BG8	11391	Johnson & Johnson		12/05/2013	2,000,000.00	2,022,020.00	2,000,080.00	1.650	1,826	1.649	1,465	12/05/2018
17275RAR3	11502	Cisco Systems		10/30/2014	2,500,000.00	2,517,550.00	2,540,456.60	2.125	1,583	1.819	1,551	03/01/2019
037833AQ3	11461	Apple Inc.		06/13/2014	3,000,000.00	3,032,790.00	3,011,100.00	2.100	1,788	2.020	1,617	05/06/2019
90520EAF8	11493	MUFG UNION BANK		09/30/2014	4,000,000.00	4,004,680.00	3,991,080.00	2.250	1,679	2.301	1,617	05/06/2019
717081DL4	11515	Pfizer Inc		11/24/2014	3,000,000.00	3,034,110.00	3,018,075.00	2.100	1,633	1.971	1,626	05/15/2019
25468PDA1	11519	Walt Disney Company		11/28/2014	4,000,000.00	3,994,600.00	3,991,229.24	1.850	1,644	1.901	1,641	05/30/2019
89236TBP9	11472	Toyota Motor Credit Corp		07/21/2014	4,000,000.00	4,040,080.00	4,000,708.33	2.125	1,823	2.125	1,690	07/18/2019
084670BL1	11490	Berkshire Hathaway		09/16/2014	4,000,000.00	4,045,360.00	4,006,306.67	2.100	1,793	2.106	1,717	08/14/2019
742718EG0	11507	Procter & Gamble		11/10/2014	3,000,000.00	3,014,531.10	3,000,598.33	1.900	1,817	1.904	1,796	11/01/2019
		Subtotal and Average	**107,617,729.55**		**118,830,000.00**	**119,531,740.20**	**119,910,562.31**		**1,168**	**1.068**	**882**	

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Portfolio Details - Investments
November 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
State of California Obligations												
13063CKL3	11459	State of California		06/09/2014	3,000,000.00	3,047,340.00	3,020,790.00	2.250	1,787	2.100	1,612	05/01/2019
		Subtotal and Average	**3,013,665.00**		**3,000,000.00**	**3,047,340.00**	**3,020,790.00**		**1,787**	**2.100**	**1,612**	
		Total and Average	**572,632,945.45**		**582,747,534.64**	**583,931,713.78**	**583,783,425.33**		**1,118**	**0.894**	**820**	

City of Santa Monica
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Activity By Type
November 1, 2014 through November 30, 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							
3133EA6W3	11280	Federal Farm Credit Bank	0.270	11/05/2014	0.00	2,500,200.00	
3133EDNS7	11508	Federal Farm Credit Bank	0.450	11/06/2014	2,104,305.35	0.00	
313375RN9	11504	Federal Home Loan Bank	1.000	11/04/2014	3,026,280.00	0.00	
3130A3KJ2	11514	Federal Home Loan Bank	0.320	11/21/2014	3,000,000.00	0.00	
313383R78	11516	Federal Home Loan Bank	0.750	11/21/2014	2,838,644.75	0.00	
3134G4L30	11385	Fed Home Loan Mortgage Corp	1.700	11/26/2014	0.00	5,000,000.00	
3137EACY3	11416	Fed Home Loan Mortgage Corp	0.750	11/25/2014	0.00	3,015,000.00	
3134G3T42	11458	Fed Home Loan Mortgage Corp	1.500	11/13/2014	0.00	3,018,500.00	
3134G5LV5	11498	Fed Home Loan Mortgage Corp	1.000	11/17/2014	2,499,910.00	0.00	
3134G5MF9	11501	Fed Home Loan Mortgage Corp	1.250	11/12/2014	2,500,000.00	0.00	
3134G4YP7	11503	Fed Home Loan Mortgage Corp	1.500	11/04/2014	3,000,000.00	0.00	
3134G57G4	11510	Fed Home Loan Mortgage Corp	1.020	11/06/2014	3,000,000.00	0.00	
31315PQ28	11511	Farmer Mac	1.970	11/20/2014	2,000,000.00	0.00	
3135G0WW9	11324	Federal National Mort Assoc	0.520	11/20/2014	0.00	3,000,000.00	
		Subtotal			**23,969,140.10**	**16,533,700.00**	**403,307,588.95**
Federal Agency Discount							
		Subtotal					**4,995,611.11**
Local Agency Investment Funds (Monthly Summary)							
		Subtotal					**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							
19416QDX5	11509	Colgate Palmolive	1.300	11/10/2014	3,733,759.66	0.00	
25468PDA1	11519	Walt Disney Company	1.850	11/28/2014	3,991,229.24	0.00	
458140AL4	11513	Intel	1.350	11/20/2014	2,995,260.00	0.00	

City of Santa Monica
Portfolio Management
Activity By Type
November 1, 2014 through November 30, 2014

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Corporate Bonds							
478160BF0	11518	Johnson & Johnson	0.700	11/25/2014	4,005,200.00	0.00	
46623EJR1	11506	JP Morgan Chase	1.000	11/06/2014	2,010,960.00	0.00	
717081DL4	11515	Pfizer Inc	2.100	11/24/2014	3,016,500.00	0.00	
742718EG0	11507	Procter & Gamble	1.900	11/10/2014	2,999,490.00	0.00	
89233P5N2	11358	Toyota Motor Credit Corp	1.250	11/17/2014	0.00	2,021,280.00	
		Subtotal			**22,752,398.90**	**2,021,280.00**	**119,910,562.31**
State of California Obligations							
		Subtotal					**3,020,790.00**
		Total			**46,721,539.00**	**18,554,980.00**	**583,783,425.33**

Overview

As of November 30, 2014, total City cash and investments (including cash held for the Successor Agency to the Redevelopment Agency) were $704.2 million, a $13.1 million increase from the prior month. The pooled portfolio increased by $11 million, primarily due to Federal grant payments to reimburse the Big Blue Bus for vehicle purchases and receipt of a payment related to a legal settlement. Restricted Cash/Investments Held in Trust/Debt Proceeds increased by $1.1 million reflecting the transfer of cash from the City to a bond trustee for December 2014 debt service payments. Other Restricted Funds/Funds Held in Trust increased $0.4 million primarily due to investment gains in the Cemetery and Mausoleum Perpetual Care Funds. Total cash and investments are categorized as follows:

Petty Cash/Change Funds	$	29,222.00
Pooled Investment Portfolio	$	660,353,675.03
Restricted Cash/Investment Held in Trust	$	21,362,661.88
Other Funds Held in Trust	$	22,423,759.89
Total	$	704,169,318.80

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
- Unrealized Gain/Loss – Difference between the current market value and purchase price (book value) of a security

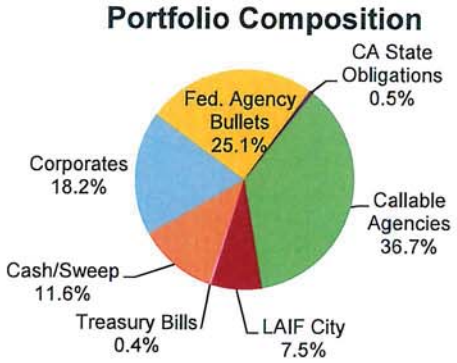
- Yield to Maturity – The rate of return of a security held to maturity when both interest payments and the investor's gain or loss (premium paid or discount taken) on the security is taken into account.

Pooled Investment Portfolio

As of November 30, 2014, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is $660.4 million, $11 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 November increase reflects Federal grant payments to reimburse the Big Blue Bus for vehicle purchases and receipt of a payment related to a legal settlement. Sixteen investments were made during the month ($46.7 million), three investments matured ($7.5 million), and three investments were called ($11 million). The State Local Agency Investment Fund (LAIF) account balance was unchanged. The balance of cash held at Wells Fargo Bank was decreased to $76.6 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.

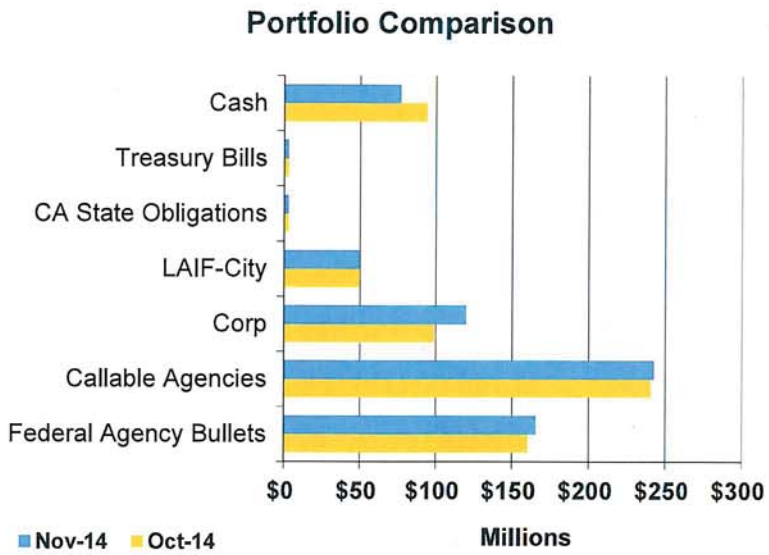
Portfolio Composition

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 (61.8%). The remaining 38.2% includes the State Local Agency Investment Fund (7.5%), corporate bonds (18.2%), CA State Obligations (0.5%), Treasury Bills (0.4%), and cash (11.6%). 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. The cash balance of the portfolio decreased by $17.2 million, which was reallocated to other investments, mostly corporate bonds. 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 November 30, 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.

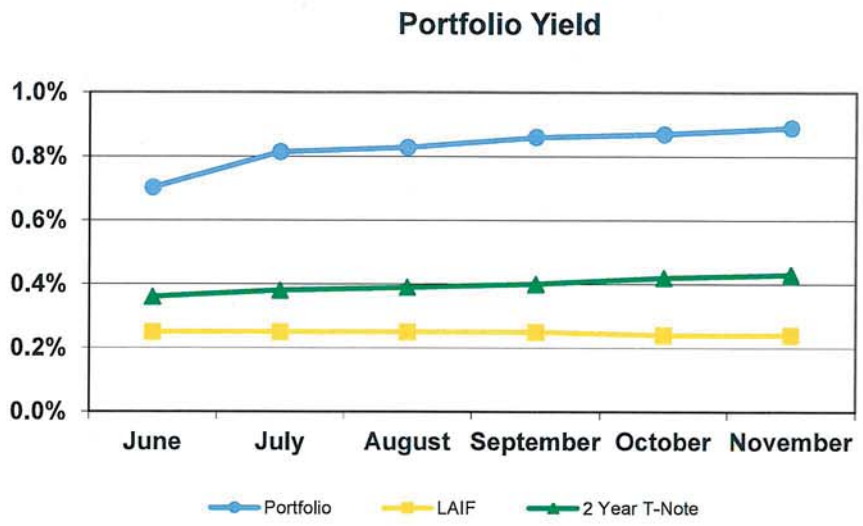


Rebalancing of Portfolio

As noted in the previous reports, the City continues to implement 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. No rebalancing occurred in November. Staff will continue to look for prudent opportunities.

Portfolio Yield

The portfolio yield-to-maturity was 0.89% as of November 30, 2014, up two basis points from the prior month and twenty basis points from one year earlier. The extended record low interest rate environment continues to hamper portfolio returns as rates remain near 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 0.47%, down three basis points from the prior month, but still above the twelve month moving average of 0.43%. As noted earlier, a significant amount of the portfolio is still being held in very liquid investments with short maturities, which also applies 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 November. 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 in November for the second straight month following the steep rise in September. Rates have become very volatile as during the last twelve months, the two year CMT month-end rate has varied from a low of 0.28% to a high of 0.58%. Rates are expected to remain relatively low through the first half of 2015. The twelve month moving average LAIF yield remained at an all-time low 0.24% for the second consecutive month in November and has not shown an increase for over six years. The month-end LAIF rate was 0.26%.

The Federal Open Market Committee (Fed) did not meet in November so the target Fed Funds rate remained unchanged at a range of 0% to 0.25%. Recent Fed policy statements have 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. Preliminary fourth quarter GDP showed mild growth of 2.2 % after strong gains of 5% and 4.6% in the previous two

quarters. Most recent economic projections predict annualized growth in the 2.5-3% range for all of 2015. Unemployment rose slightly to 5.8% in November after dropping to a six year low of 5.7% in October. The rate is expected to decrease further over the next several months. The housing market data continued to show only slow growth. The stock market, as measured by the Dow Jones Industrial Average continued strong rising 2.5% to new record levels.

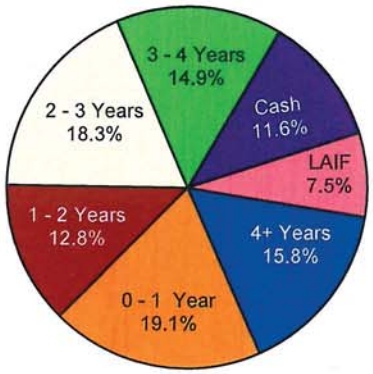
The City's portfolio yield-to-maturity has begun to increase after nearly six years of decreases. Rates have risen substantially during 2014. However, interest rates remain very volatile and this volatility is expected to continue over the next several months as the market tries to anticipate Fed action. 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 November was $0.5 million. Fiscal year-to-date revenues on a cash basis are now 22% greater than the same period last year.

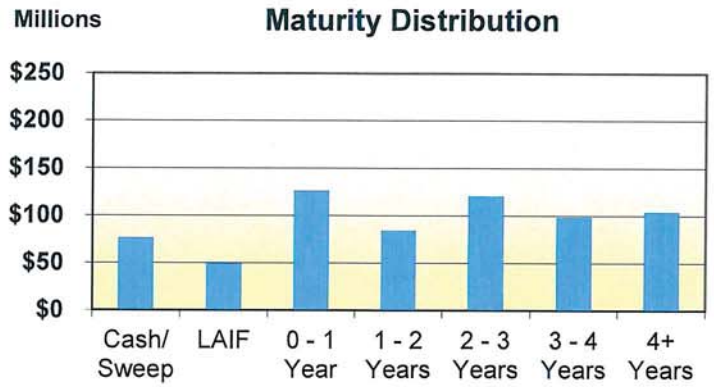
Maturity Distribution

The weighted average days to maturity of the portfolio as of November 30, 2014 is 820 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 (inclusive of cash and LAIF balances).

Portfolio Maturities



Overall, interest rates have advanced over the last several months resulting in fewer bonds being 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 until 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 November 30, 2014, the market value and the book value of the City's pooled investments (excluding cash) are:

Market Value	$ 583,931,713.78
Book Value (purchase Price)	$ 583,783,425.33
Unrealized Gain / (Loss)	$ 148,288.45

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 November 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. 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 11/30/14

	Pooled Portfolio (1) (3)	% of Portfolio	Legal/ Policy Limit	In Compliance (Yes/No)
Federal Agency Securities				
Federal Home Loan Bank	$155,580,360.37	23.6%	50.0%	Yes
Federal National Mortgage Association	50,000,275.56	7.6%	50.0%	Yes
Federal Home Loan Mortgage Corporation	125,191,765.28	19.0%	50.0%	Yes
Farmer Mac	23,999,350.00	3.6%	50.0%	Yes
Federal Farm Credit Bank	53,531,448.85	8.1%	50.0%	Yes
Total Federal Agency Securities	$408,303,200.06	61.8%	n/a	Yes
Treasury Bills	$2,991,338.32	0.5%	n/a	Yes
State of CA Obligations	$3,020,790.00	0.5%	n/a	Yes
Corporate Bonds	$119,910,562.31	18.2%	30.0%	Yes
Money Market Mutual Funds	$0.00	0.0%	10.0%	Yes
State Local Agency Investment Fund-City	$49,557,534.64	7.5%	$50 million	Yes
Cash (2)	$76,570,249.70	11.6%	None	Yes
Total (Book Value)	**$660,353,675.03**	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 ($1,564,275.7), Successor Agency RPTTF account ($2,091,301.29), Ocean Park Special Fund ($5,353,601.54), payroll account ($130,602.58) 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).

Corporate Bonds as of 11/30/14 (Book Value)

Security	Pooled Portfolio	Credit Rating*	In Compliance (Yes/No)
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
JP Morgan Chase 1.1%, maturing 10/15/15	$2,012,243.33	A	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
Johnson & Johnson 0.7% maturing 11/28/16	$4,005,200.00	AAA	Yes
Colgate Palmolive 1.3% maturing 1/15/17	$3,749,116.63	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
Intel 1.35%, maturing 12/15/17	$3,012,697.50	A+	Yes
Colgate Palmolive 0.9% maturing 5/1/18	$1,472,835.00	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	$3,991,080.00	A+	Yes
Apple Inc. 2.1% maturing 5/6/19	$3,011,100.00	AA+	Yes
Pfizer, Inc. 2.1% maturing 5/15/19	$3,018,075.00	AA	Yes
Walt Disney Company 1.85%, maturing 5/30/19	$3,991,229.24	A	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
Procter & Gamble 1.9% maturing 11/1/19	$3,000,598.33	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