City of
Santa Monica®

Information Item

Date: May 22, 2015

To: Mayor and City Council

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

Subject: City Monthly Cash and Investment Report for January 2015

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 January 31, 2015.

Discussion

The January 2015 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 decreased by $6.2 million in January to $659.8 million primarily due to a settlement payment to the State related to RDA dissolution, partially offset by large property tax apportionments from Los Angeles County. The pooled portfolio yield-to-maturity of 0.91% is one basis point higher than the prior month and twenty basis points higher than in January 2015. Net investment earnings for the month were $0.7 million. Fiscal year-to-date earnings are 29.1% greater than for the same period last year. Although the extended low interest rate environment continues to limit investment returns, portfolio yields have now increased in each of the last eight months. The uncertainty regarding RDA dissolution has required the holding of extraordinarily large cash balances. However, as this uncertainty continues to dissipate, the City has begun rebalancing the portfolio. This rebalancing will continue in a prudent and orderly manner over the next six to twelve months.

In addition to the pooled portfolio, the City's total cash holdings as of January 31, 2015 included $18 million in debt proceeds held in trust with various fiscal agents, $18.7 million in other funds held in trust, and $29,222 in petty cash/change funds for a total

balance of $696.5 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 January 31, 2015, the market value of the City's portfolio was approximately $1.3 million greater than the book value.

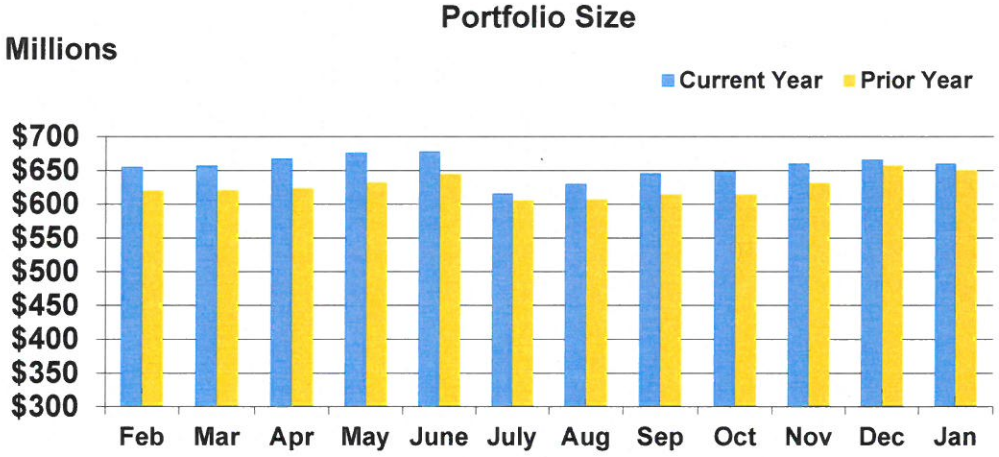
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer as of January 31, 2015.

Prepared by: David Carr, Assistant City Treasurer

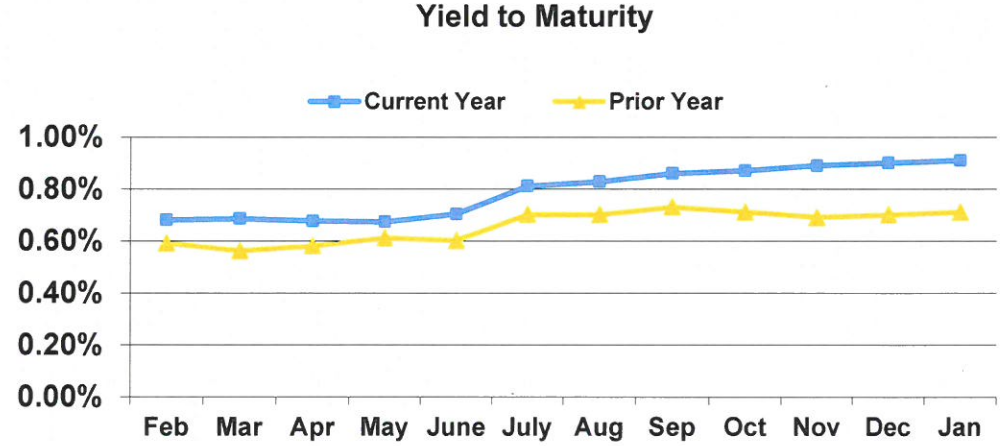
Attachments: 1 – Investment Highlights
2 – Investment Report

ATTACHMENT 1

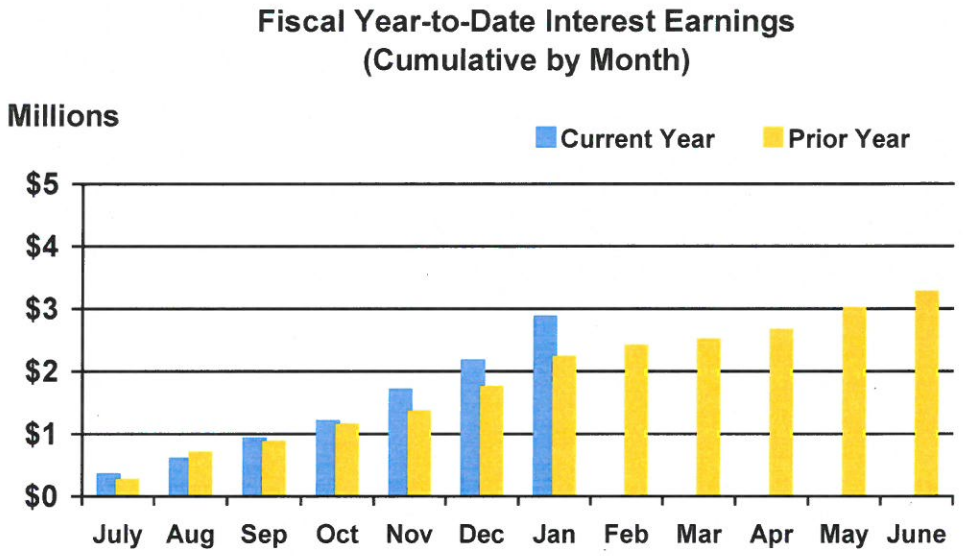
Investment Highlights
January 31, 2015



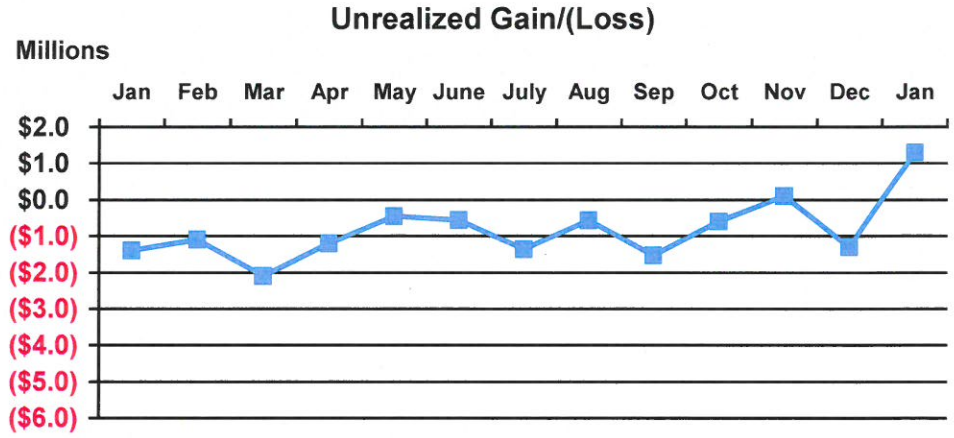
- As of January 31, 2015, the portfolio size is $659.8 million, $6.2 million less than in the prior month, but $9.5 million more than one year earlier. Receipts have exceeded outflows over the last twelve months reflecting increased revenues.



- As of January 31, 2015, yield to maturity is 0.91%.
- Up one basis point from the prior month and twenty basis points from one year earlier.



- Fiscal year-to-date earnings (cash basis) are up 29.1% from one year earlier.



- As of January 31, 2015, the market value is about $1.3 million more than the unamortized book value (purchase price).

ATTACHMENT 2

City of
Santa Monica®

Investment Report
January 31, 2015

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
January 31, 2015

Petty Cash/Change Funds		$29,222.00
Pooled Portfolio		
Wells Fargo Bank (1)	$78,935,078.23	
Bank of New York (BNY)		
Cash	$7,875.00	
Corporate Bonds	$122,401,507.43	
Treasury Bills	$2,990,625.00	
State of California Bonds	$4,148,743.32	
Federal Agencies Securities	$401,758,539.65	
Total Bank of New York	$531,307,290.40	
State of California Local Agency Investment Fund - City	$49,589,288.82	
Total Pooled Portfolio		$659,831,657.45
Restricted Cash/Investments Held in Trust/Debt Proceeds		
Union Bank - Redevelopment Agency Term Loan	$11,649,291.61	
Union Bank-Earthquake Recovery Redevelopment 2006		
Tax Allocation Refunding Bonds Series A & B	$10.53	
Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds	$2,767,761.04	
Union Bank-RDA 2011 Tax Allocation Bonds	$2,262,483.62	
BNY-2011 Parking Structure Series A & B	$0.00	
BNY-Library Improvement Project 2002	$13,517.79	
BNY-Ocean Park Redevelopment Project 2002 Refunding	$0.00	
BNY-Parking Authority Lease Revenue Bonds 2002 Refunding	$2.00	
BNY-Public Safety Facility Bonds 2009 Refunding	$1,148,659.46	
U.S. Bank-Wastewater Enterprise Revenue Bonds-2012 Refunding	$133,276.25	
U.S. Bank-Wastewater Enterprise Revenue Bonds-2005 Refunding	$0.00	
Total Restricted Cash/Investments Held in Trust		$17,975,002.30
Other Restricted Funds/Funds Held in Trust		
Cemetery Perpetual Care Fund (3)	$10,273,378.00	
Mausoleum Perpetual Care Fund (3)	$1,188,969.00	
Santa Monica Redevelopment Successor Agency RPTTF-Wells Fargo	$4,185,138.29	
Wells Fargo Bank - HUD Depository Account (4)	$61,246.02	
Wells Fargo Bank - Payroll Account	$322,796.14	
Wells Fargo Bank -RDA Successor Agency - OP Special Fund	$956,920.24	
Union Bank - W.E. O'Neil Direct Owner Costs PGW Escrow	$1,478,729.94	
Union Bank - Morley Direct Owner Costs Civic Escrow	$59,980.65	
Wells Fargo Bank - Public Agency Family Self Sufficiency Program (2)	$121,109.24	
Total Other Funds Held in Trust		$18,648,267.52
GRAND TOTAL		$696,484,149.27

City of Santa Monica
Cash Receipts, Disbursements and Cash Balances
January 31, 2015

(1) These are the actual bank account balances as of 1/31//2015. 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 - December 31, 2014	665,969,321.79
Receipts	53,850,340.17
Disbursements	(59,988,004.51)
Cash and Investments - January 31, 2015	659,831,657.45

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

Overview

As of January 31, 2015, total City cash and investments (including cash held for the Successor Agency to the Redevelopment Agency) were $696.5 million, a $17.1 million decrease from the prior month. Restricted Cash/Investments Held in Trust/Debt Proceeds decreased by $9.9 million reflecting semi-annual debt service payments and the redemption of the Ocean Park bonds. The pooled portfolio decreased by $6.2 million, primarily due to a settlement payment to the State related to RDA dissolution, partially offset by large property tax apportionments from Los Angeles County. Other Restricted Funds/Funds Held in Trust decreased by $1.8 million primarily due to a decrease in the payroll account reflecting the timing of the last payroll date of the month, partially offset by RPTTF property tax payments from the County to be used to pay for enforceable obligations. Total cash and investments are categorized as follows:

Petty Cash/Change Funds	$	29,222.00
Pooled Investment Portfolio	$	659,831,657.45
Restricted Cash/Investment Held in Trust	$	17,975,002.30
Other Funds Held in Trust	$	18,648,267.52
Total	$	696,484,149.27

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

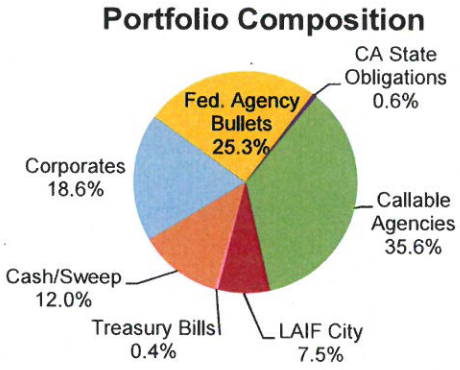
- Unrealized Gain/Loss – Difference between the current market value and purchase price (book value) of a security
- Yield to Maturity – The rate of return of a security held to maturity when both interest payments and the investor's gain or loss (premium paid or discount taken) on the security is taken into account.
-

Pooled Investment Portfolio

As of January 31, 2015, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is $659.8 million, $6.2 million less 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 January decrease reflects a $28.2 million settlement payment to the State related to RDA dissolution, partially offset by receipt of property tax revenues from Los Angeles County. Eight investments were made during the month ($24.3 million), four investments matured ($20 million), and five investments were called ($18 million). The State Local Agency Investment Fund (LAIF) account balance rose slightly reflecting a quarterly interest payment. The balance of cash held at Wells Fargo Bank decreased to $78.9 million as of month-end. Funds on deposit with Wells Fargo earn a net 0.0725% in earnings which are used as a credit against monthly banking expenses. Details of the main portfolio follow.

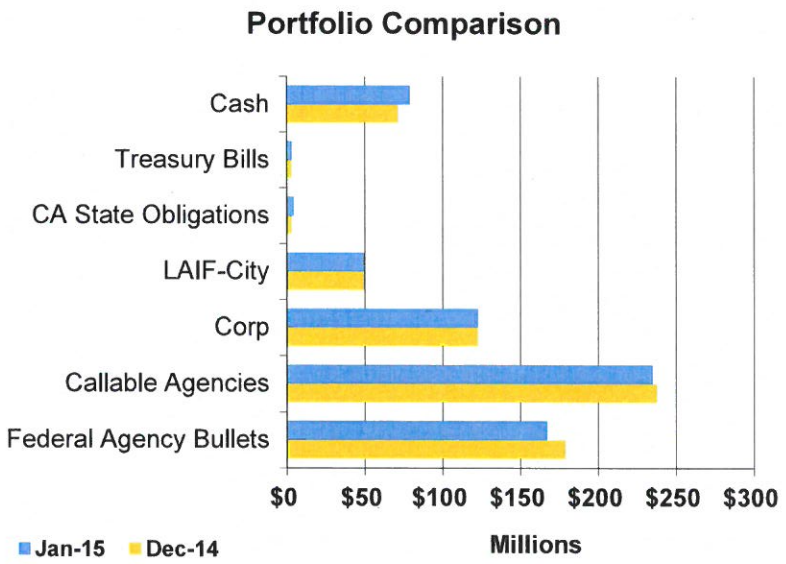
Portfolio Composition

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 (60.9%). The remaining 39.1% includes the State Local Agency Investment Fund (7.5%), corporate bonds (18.6%), CA State Obligations (0.6%), Treasury Bills (0.4%), and cash (12%). 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 was no significant change from the prior month. 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. The final results of the State Controller's review are anticipated around the end of the first quarter 2015. In anticipation of these final results, staff has begun to rebalance the portfolio. This rebalancing will be accomplished in a prudent and orderly manner over the next six to twelve months. Additionally, the City continues to hold a significant portion of the remainder of the portfolio in short maturity investments 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 January. Staff will continue to look for prudent opportunities.

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
January 31, 2015

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	3,020,156.10	2,990,625.00	0.875	1,086	0.982	895	07/15/2017
		Subtotal and Average	**2,990,947.14**		**3,000,000.00**	**3,020,156.10**	**2,990,625.00**		**1,086**	**0.982**	**895**	
Federal Agency Coupon												
3130A0TW0	11417	Federal Home Loan Bank		02/04/2014	4,000,000.00	4,000,000.00	3,998,520.00	0.125	364	0.162	2	02/03/2015
313376YQ2	11409	Federal Home Loan Bank		01/21/2014	1,000,000.00	1,000,080.00	1,002,300.00	0.400	388	0.183	12	02/13/2015
3133ECG81	11410	Federal Farm Credit Bank		01/21/2014	1,060,000.00	1,060,127.20	1,061,356.80	0.300	400	0.183	24	02/25/2015
3135G0HG1	11267	Federal National Mort Assoc		11/06/2012	2,500,000.00	2,500,750.00	2,502,400.00	0.375	860	0.334	43	03/16/2015
3130A1U97	11465	Federal Home Loan Bank		07/02/2014	5,000,000.00	5,000,100.00	4,999,750.00	0.125	301	0.131	87	04/29/2015
31331KLE8	11086	Federal Farm Credit Bank		05/18/2011	2,500,000.00	2,508,525.00	2,501,250.00	1.600	1,461	1.587	106	05/18/2015
3130A26M3	11454	Federal Home Loan Bank		06/03/2014	5,000,000.00	5,000,150.00	5,000,000.00	0.125	360	0.125	117	05/29/2015
31315P6C8	11450	Farmer Mac		05/27/2014	10,000,000.00	9,997,700.00	9,999,500.00	0.130	370	0.135	120	06/01/2015
313379ER6	11323	Federal Home Loan Bank		05/15/2013	3,000,000.00	3,003,360.00	3,015,210.00	0.500	758	0.255	131	06/12/2015
313379ER6	11396	Federal Home Loan Bank		12/23/2013	3,000,000.00	3,003,360.00	3,010,950.00	0.500	536	0.251	131	06/12/2015
3130A2FT8	11485	Federal Home Loan Bank		09/03/2014	5,000,000.00	5,001,150.00	4,999,000.00	0.125	289	0.150	138	06/19/2015
3130A2NH5	11471	Federal Home Loan Bank		07/22/2014	4,000,000.00	4,000,080.00	4,000,000.00	0.170	365	0.170	171	07/22/2015
3133ECHV9	11296	Federal Farm Credit Bank		03/21/2013	5,000,000.00	5,005,000.00	4,997,550.00	0.350	861	0.371	179	07/30/2015
313375PT8	11147	Federal Home Loan Bank		09/19/2011	2,500,000.00	2,508,125.00	2,500,000.00	0.750	1,410	0.750	179	07/30/2015
3133EDC59	11401	Federal Farm Credit Bank		01/03/2014	3,870,000.00	3,871,083.60	3,865,588.20	0.250	593	0.320	199	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	250	10/09/2015
3133EDQL9	11481	Federal Farm Credit Bank		08/27/2014	3,000,000.00	3,000,690.00	2,999,640.00	0.230	414	0.241	256	10/15/2015
31315P6X2	11499	Farmer Mac		10/29/2014	2,000,000.00	1,999,640.00	1,999,850.00	0.180	365	0.188	270	10/29/2015
3130A3HV9	11521	Federal Home Loan Bank		12/03/2014	3,000,000.00	2,997,810.00	2,997,996.25	0.125	350	0.200	290	11/18/2015
3134G3W55	11455	Fed Home Loan Mortgage Corp		06/03/2014	3,000,000.00	3,005,220.00	3,009,480.00	0.450	539	0.235	296	11/24/2015
31331J4J9	11020	Federal Farm Credit Bank		12/07/2010	2,000,000.00	2,024,540.00	2,000,000.00	1.740	1,826	1.740	309	12/07/2015
3130A3S88	11526	Federal Home Loan Bank		12/22/2014	3,355,000.00	3,355,838.75	3,353,384.94	0.250	358	0.304	317	12/15/2015
3130A2QV1	11494	Federal Home Loan Bank		10/01/2014	5,000,000.00	5,003,850.00	5,001,950.00	0.340	481	0.310	358	01/25/2016
313375RN9	11504	Federal Home Loan Bank		11/04/2014	3,000,000.00	3,021,030.00	3,030,696.67	1.000	493	0.353	404	03/11/2016
3130A3KJ2	11514	Federal Home Loan Bank		11/21/2014	3,000,000.00	3,000,870.00	3,000,000.00	0.320	483	0.320	411	03/18/2016
3133EDXD9	11495	Federal Farm Credit Bank		10/14/2014	4,000,000.00	4,000,040.00	4,000,000.00	0.430	548	0.430	438	04/14/2016
3130A2C61	11540	Federal Home Loan Bank		01/30/2015	3,000,000.00	2,998,650.00	3,001,352.50	0.375	497	0.380	495	06/10/2016
3134G4W95	11429	Fed Home Loan Mortgage Corp		03/17/2014	4,000,000.00	3,998,800.00	4,000,000.00	0.500	823	0.500	502	06/17/2016
3133EDNS7	11508	Federal Farm Credit Bank		11/06/2014	2,105,000.00	2,107,462.85	2,104,305.35	0.450	592	0.470	505	06/20/2016
3133834R9	11322	Federal Home Loan Bank		05/15/2013	3,000,000.00	3,001,230.00	2,990,280.00	0.375	1,136	0.480	509	06/24/2016
3130A1BK3	11444	Federal Home Loan Bank		03/24/2014	5,000,000.00	5,005,350.00	5,000,000.00	0.500	823	0.500	509	06/24/2016
3130A2X27	11480	Federal Home Loan Bank		09/24/2014	2,500,000.00	2,501,171.75	2,500,000.00	0.515	639	0.515	509	06/24/2016

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
January 31, 2015

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	11528	Federal Home Loan Bank		12/24/2014	5,000,000.00	5,002,050.00	4,985,750.00	0.375	548	0.566	509	06/24/2016
3134G4RT7	11399	Fed Home Loan Mortgage Corp		12/27/2013	3,000,000.00	3,001,080.00	3,000,000.00	0.530	913	0.530	512	06/27/2016
313383R78	11516	Federal Home Loan Bank		11/21/2014	2,825,000.00	2,839,492.25	2,838,644.75	0.750	605	0.457	533	07/18/2016
3133EDK92	11527	Federal Farm Credit Bank		12/24/2014	5,000,000.00	5,010,600.00	5,000,847.22	0.500	579	0.621	540	07/25/2016
3130A3VU5	11533	Federal Home Loan Bank		01/29/2015	4,000,000.00	4,004,000.00	4,000,000.00	0.550	547	0.550	544	07/29/2016
3134G4UU0	11420	Fed Home Loan Mortgage Corp		02/26/2014	5,000,000.00	5,001,300.00	5,000,000.00	0.600	912	0.600	572	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	631	10/24/2016
3135G0WS8	11316	Federal National Mort Assoc		05/15/2013	3,000,000.00	3,000,270.00	3,000,000.00	0.600	1,280	0.600	653	11/15/2016
313383CM1	11329	Federal Home Loan Bank		06/20/2013	3,000,000.00	2,999,430.00	3,000,000.00	0.600	1,279	0.600	688	12/20/2016
3134G5AQ8	11463	Fed Home Loan Mortgage Corp		06/30/2014	2,000,000.00	2,004,960.00	2,000,000.00	0.700	914	0.700	698	12/30/2016
3133EDNC2	11456	Federal Farm Credit Bank		06/13/2014	2,500,000.00	2,509,025.00	2,499,375.00	0.700	945	0.710	712	01/13/2017
31315PN88	11351	Farmer Mac		07/05/2013	2,000,000.00	2,017,920.00	2,000,000.00	1.100	1,301	1.100	725	01/26/2017
3134G3NT3	11370	Fed Home Loan Mortgage Corp		08/08/2013	2,500,000.00	2,501,525.00	2,499,125.00	1.000	1,299	1.010	757	02/27/2017
3134G4Z92	11520	Fed Home Loan Mortgage Corp		12/03/2014	2,500,000.00	2,513,300.00	2,508,270.14	0.875	866	0.782	806	04/17/2017
3133ECKV5	11302	Federal Farm Credit Bank		04/05/2013	3,000,000.00	2,997,000.00	3,000,000.00	0.700	1,522	0.700	855	06/05/2017
3134G5HH1	11479	Fed Home Loan Mortgage Corp		09/19/2014	3,000,000.00	3,007,740.00	3,000,000.00	1.000	1,004	1.000	869	06/19/2017
3136G1NQ8	11336	Federal National Mort Assoc		06/19/2013	4,000,000.00	4,003,750.00	4,000,000.00	1.000	1,461	1.000	869	06/19/2017
3134G4MP0	11388	Fed Home Loan Mortgage Corp		12/20/2013	2,700,000.00	2,701,944.00	2,700,000.00	0.750	1,278	1.137	870	06/20/2017
3137EADH9	11335	Fed Home Loan Mortgage Corp		05/29/2013	3,000,000.00	3,021,540.00	3,009,930.00	1.000	1,492	0.976	879	06/29/2017
3137EADH9	11348	Fed Home Loan Mortgage Corp		06/27/2013	2,500,000.00	2,517,950.00	2,474,375.00	1.000	1,463	1.346	879	06/29/2017
3134G57G4	11510	Fed Home Loan Mortgage Corp		11/06/2014	3,000,000.00	3,004,110.00	3,000,000.00	1.020	967	1.019	880	06/30/2017
3133EA4H8	11305	Federal Farm Credit Bank		04/04/2013	5,000,000.00	4,982,500.00	4,999,250.00	0.820	1,559	0.824	891	07/11/2017
3134G3ZH6	11341	Fed Home Loan Mortgage Corp		06/06/2013	4,000,000.00	4,025,360.00	4,000,000.00	1.000	1,510	1.000	905	07/25/2017
3137EADJ5	11290	Fed Home Loan Mortgage Corp		01/31/2013	2,500,000.00	2,519,350.00	2,509,875.00	1.000	1,639	0.910	908	07/28/2017
3137EADJ5	11394	Fed Home Loan Mortgage Corp		12/17/2013	5,000,000.00	5,038,700.00	4,992,900.00	1.000	1,319	1.040	908	07/28/2017
3134G6AC7	11538	Fed Home Loan Mortgage Corp		01/28/2015	3,000,000.00	2,997,000.00	3,000,000.00	0.850	912	0.850	908	07/28/2017
3136G22T3	11468	Federal National Mort Assoc		07/28/2014	4,000,000.00	4,002,040.00	4,000,000.00	1.050	1,096	1.050	908	07/28/2017
3135G0ZF3	11491	Federal National Mort Assoc		09/17/2014	4,000,000.00	4,008,880.00	4,000,000.00	1.070	1,045	1.070	908	07/28/2017
3134G3B90	11243	Fed Home Loan Mortgage Corp		08/15/2012	2,000,000.00	2,008,920.00	1,998,520.00	0.875	1,826	0.890	926	08/15/2017
3130A25G7	11453	Federal Home Loan Bank		06/05/2014	3,000,000.00	3,000,120.00	2,999,526.00	1.050	1,188	1.055	947	09/05/2017
3135G0PP2	11425	Federal National Mort Assoc		02/12/2014	2,500,000.00	2,512,975.00	2,492,050.00	1.000	1,316	1.090	962	09/20/2017
3133EA3J5	11253	Federal Farm Credit Bank		10/10/2012	5,000,000.00	4,984,950.00	5,000,000.00	0.900	1,826	0.900	982	10/10/2017
3134G5LV5	11498	Fed Home Loan Mortgage Corp		11/17/2014	2,500,000.00	2,500,875.00	2,499,910.00	1.000	1,096	1.001	1,020	11/17/2017
3136G03Y5	11264	Federal National Mort Assoc		11/21/2012	5,000,000.00	5,001,150.00	5,000,000.00	0.750	1,826	0.750	1,024	11/21/2017
3136G05Q0	11269	Federal National Mort Assoc		11/27/2012	5,000,000.00	5,001,800.00	5,000,000.00	0.750	1,826	0.730	1,030	11/27/2017
3134G44N5	11317	Fed Home Loan Mortgage Corp		05/28/2013	3,000,000.00	2,985,660.00	3,000,000.00	0.750	1,645	0.750	1,031	11/28/2017

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
January 31, 2015

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												
3133EEFP0	11523	Federal Farm Credit Bank		12/22/2014	2,500,000.00	2,512,175.00	2,499,083.33	1.200	1,092	1.217	1,051	12/18/2017
3134G5U78	11529	Fed Home Loan Mortgage Corp		12/24/2014	3,000,000.00	3,011,160.00	3,000,220.00	1.320	1,094	1.320	1,055	12/22/2017
3134G5WM3	11534	Fed Home Loan Mortgage Corp		01/16/2015	4,000,000.00	4,004,374.80	4,002,000.00	1.000	1,096	1.477	1,080	01/16/2018
3134G5X83	11531	Fed Home Loan Mortgage Corp		01/30/2015	3,000,000.00	3,005,040.00	3,000,000.00	1.450	1,096	1.450	1,094	01/30/2018
3133823A9	11285	Federal Home Loan Bank		02/22/2013	5,000,000.00	5,002,343.50	5,000,000.00	1.150	1,826	1.150	1,117	02/22/2018
3130A0XC9	11435	Federal Home Loan Bank		02/26/2014	4,000,000.00	4,013,440.00	4,000,000.00	1.300	1,461	1.300	1,121	02/26/2018
3136G1DA4	11286	Federal National Mort Assoc		02/28/2013	5,000,000.00	5,003,250.00	5,000,000.00	1.000	1,826	1.171	1,123	02/28/2018
3134G4YP7	11503	Fed Home Loan Mortgage Corp		11/04/2014	3,000,000.00	3,005,670.00	3,004,625.00	1.500	1,239	1.500	1,150	03/27/2018
3134G37H7	11301	Fed Home Loan Mortgage Corp		04/25/2013	5,000,000.00	5,005,500.00	5,000,000.00	1.150	1,826	1.150	1,179	04/25/2018
31315PYT0	11318	Farmer Mac		05/02/2013	3,000,000.00	3,002,610.00	3,000,000.00	0.990	1,826	0.990	1,186	05/02/2018
3135G0XA6	11319	Federal National Mort Assoc		05/21/2013	3,000,000.00	2,991,510.00	3,000,000.00	1.030	1,826	1.030	1,205	05/21/2018
313382Z63	11325	Federal Home Loan Bank		05/22/2013	5,000,000.00	5,005,400.00	5,000,000.00	0.750	1,826	0.700	1,206	05/22/2018
3134G55C5	11448	Fed Home Loan Mortgage Corp		05/28/2014	4,000,000.00	4,003,720.00	4,000,000.00	1.500	1,458	1.503	1,209	05/25/2018
313379DT3	11386	Federal Home Loan Bank		11/12/2013	4,000,000.00	4,027,760.00	3,960,880.00	1.250	1,669	1.472	1,223	06/08/2018
313383EN7	11334	Federal Home Loan Bank		06/20/2013	5,000,000.00	5,005,468.50	5,000,000.00	1.000	1,826	1.000	1,235	06/20/2018
313383C25	11345	Federal Home Loan Bank		06/25/2013	2,500,000.00	2,498,437.50	2,412,500.00	1.200	1,821	1.818	1,235	06/20/2018
3134G47M4	11338	Fed Home Loan Mortgage Corp		06/26/2013	3,000,000.00	3,005,280.00	2,999,250.00	1.500	1,826	1.505	1,241	06/26/2018
313383GK1	11337	Federal Home Loan Bank		06/27/2013	3,800,000.00	3,817,290.00	3,800,000.00	1.125	1,826	1.125	1,242	06/27/2018
3134G5VF9	11525	Fed Home Loan Mortgage Corp		12/29/2014	5,000,000.00	5,031,300.00	5,000,000.00	1.450	1,278	1.450	1,244	06/29/2018
3133EDQ21	11464	Federal Farm Credit Bank		07/09/2014	5,000,000.00	5,020,900.00	5,000,000.00	1.470	1,461	1.470	1,254	07/09/2018
3133EDQZ8	11474	Federal Farm Credit Bank		07/23/2014	2,500,000.00	2,512,600.00	2,498,750.00	1.520	1,461	1.533	1,268	07/23/2018
3136G22V8	11469	Federal National Mort Assoc		07/25/2014	4,000,000.00	4,055,920.00	4,000,000.00	1.500	1,461	1.500	1,270	07/25/2018
3134G5CY9	11470	Fed Home Loan Mortgage Corp		07/30/2014	5,000,000.00	5,020,850.00	5,000,000.00	1.500	1,461	1.500	1,275	07/30/2018
3134G5CY9	11492	Fed Home Loan Mortgage Corp		09/19/2014	2,500,000.00	2,510,425.00	2,489,375.00	1.500	1,410	1.614	1,275	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	1,289	08/13/2018
3130A2PD2	11475	Federal Home Loan Bank		08/14/2014	2,000,000.00	2,000,500.00	2,000,000.00	1.000	1,461	1.000	1,290	08/14/2018
3134G54Z5	11447	Fed Home Loan Mortgage Corp		05/28/2014	3,000,000.00	3,012,240.00	3,000,000.00	1.500	1,553	1.500	1,304	08/28/2018
3136G2B48	11517	Federal National Mort Assoc		12/19/2014	4,000,000.00	4,012,680.00	4,000,000.00	1.550	1,461	1.550	1,417	12/19/2018
3134G4QX9	11405	Fed Home Loan Mortgage Corp		01/08/2014	5,000,000.00	5,010,850.00	4,992,500.00	1.500	1,814	1.531	1,425	12/27/2018
3134G4VE5	11422	Fed Home Loan Mortgage Corp		02/27/2014	3,000,000.00	3,003,510.00	3,000,000.00	1.800	1,826	1.800	1,487	02/27/2019
3134G4WL8	11434	Fed Home Loan Mortgage Corp		03/19/2014	4,000,000.00	4,008,280.00	4,000,000.00	1.750	1,826	1.750	1,507	03/19/2019
3134G4Y28	11441	Fed Home Loan Mortgage Corp		03/27/2014	5,000,000.00	5,009,700.00	5,000,000.00	1.550	1,826	1.550	1,515	03/27/2019
3133EEJY7	11536	Federal Farm Credit Bank		01/22/2015	1,155,000.00	1,152,204.90	1,154,422.50	1.690	1,551	1.702	1,541	04/22/2019
3130A23F1	11452	Federal Home Loan Bank		05/30/2014	5,000,000.00	5,004,450.00	5,000,000.00	1.250	1,824	1.225	1,577	05/28/2019
3130A27B6	11483	Federal Home Loan Bank		09/02/2014	2,000,000.00	2,000,160.00	2,000,000.00	1.800	1,742	1.800	1,590	06/10/2019
3130A2DX1	11460	Federal Home Loan Bank		07/09/2014	3,000,000.00	3,005,400.00	3,000,000.00	1.000	1,826	2.178	1,619	07/09/2019

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
January 31, 2015

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	2,505,859.25	2,500,000.00	2.000	1,734	2.000	1,619	07/09/2019
3136G23W5	11478	Federal National Mort Assoc		08/28/2014	3,000,000.00	3,025,500.00	3,000,000.00	2.000	1,826	2.000	1,669	08/28/2019
3130A2ZC3	11497	Federal Home Loan Bank		10/23/2014	2,500,000.00	2,499,900.00	2,500,000.00	0.500	1,803	0.507	1,702	09/30/2019
3136G26T9	11486	Federal National Mort Assoc		09/30/2014	2,500,000.00	2,529,150.00	2,500,000.00	2.050	1,826	2.050	1,702	09/30/2019
3136G26U6	11487	Federal National Mort Assoc		10/07/2014	2,500,000.00	2,550,175.00	2,500,000.00	2.000	1,826	2.000	1,709	10/07/2019
3134G5MF9	11501	Fed Home Loan Mortgage Corp		11/12/2014	2,500,000.00	2,500,825.00	2,500,000.00	1.250	1,826	1.250	1,745	11/12/2019
31315PQ28	11511	Farmer Mac		11/20/2014	2,000,000.00	2,020,500.00	2,000,000.00	1.970	1,826	1.970	1,753	11/20/2019
3134A3MR2	11524	Federal Home Loan Bank		12/30/2014	2,500,000.00	2,506,700.00	2,500,000.00	2.000	1,826	2.000	1,793	12/30/2019
3130A3PA8	11530	Federal Home Loan Bank		12/30/2014	6,000,000.00	6,044,340.00	6,000,000.00	1.550	1,826	1.550	1,793	12/30/2019
		Subtotal and Average	**398,867,527.90**		**391,870,000.00**	**392,686,063.85**	**391,765,678.54**		**1,215**	**0.937**	**868**	
Federal Agency Discount												
313396CQ4	11445	Fed Home Loan Mortgage Corp		04/22/2014	5,000,000.00	4,999,900.00	4,995,611.11	0.100	316	0.103	31	03/04/2015
313384JT76	11539	Federal Home Loan Bank		01/30/2015	5,000,000.00	4,998,050.00	4,997,250.00	0.110	180	0.112	178	07/29/2015
		Subtotal and Average	**5,318,014.34**		**10,000,000.00**	**9,997,950.00**	**9,992,861.11**		**248**	**0.107**	**105**	
Local Agency Investment Funds												
SYS10090	10090	Local Agency Investment Fund			49,589,288.82	49,589,288.82	49,589,288.82	0.262	1	0.262	1	
		Subtotal and Average	**49,574,948.22**		**49,589,288.82**	**49,589,288.82**	**49,589,288.82**		**1**	**0.262**	**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 & Compnay		05/27/2014	5,000,000.00	5,033,200.00	5,150,375.96	3.625	323	0.215	73	04/15/2015
459200HD6	11397	IBM Corp		12/23/2013	2,278,000.00	2,281,371.44	2,292,761.44	0.750	504	0.280	99	05/11/2015
94974BFE5	11287	Wells Fargo & Compnay		01/31/2013	2,000,000.00	2,009,360.00	2,032,480.00	1.500	881	0.820	150	07/01/2015
94974BFE5	11443	Wells Fargo & Compnay		04/22/2014	4,523,000.00	4,544,167.64	4,580,984.86	1.500	435	0.420	150	07/01/2015
89233P6J0	11357	Toyota Motor Credit Corp		07/19/2013	2,000,000.00	2,004,900.00	2,009,720.00	0.875	728	0.629	166	07/17/2015
94985H5F7	11363	Wells Fargo Bank		07/29/2013	2,500,000.00	2,505,900.00	2,499,125.00	0.750	721	0.768	169	07/20/2015

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												
594918AG9	11211	Microsoft		05/10/2012	5,000,000.00	5,043,350.00	5,170,600.00	1.625	1,233	0.602	236	09/25/2015
46623EJR1	11506	JP Morgan Chase		11/06/2014	2,000,000.00	2,006,760.00	2,012,243.33	1.000	343	0.410	256	10/15/2015
084670BG2	11291	Berkshire Hathaway		02/11/2013	2,000,000.00	2,007,100.00	2,005,620.00	0.800	1,095	0.705	375	02/11/2016
037833AH3	11320	Apple Inc.		05/06/2013	3,000,000.00	3,002,970.00	3,002,430.00	0.450	1,093	0.423	457	05/03/2016
478160AY0	11293	Johnson & Johnson		02/12/2013	2,000,000.00	2,044,920.00	2,105,040.00	2.150	1,188	0.522	469	05/15/2016
89236TAL9	11333	Toyota Motor Credit Corp		05/28/2013	3,000,000.00	3,010,350.00	3,008,190.00	0.800	1,085	0.707	471	05/17/2016
94974BFL9	11362	Wells Fargo & Compnay		07/29/2013	3,000,000.00	3,019,350.00	2,997,120.00	1.250	1,087	1.283	535	07/20/2016
459200GX3	11473	IBM Corp		07/24/2014	4,000,000.00	4,082,280.00	4,105,920.00	1.950	729	0.612	537	07/22/2016
742718DV8	11352	Procter & Gamble		07/05/2013	1,985,000.00	2,014,020.70	2,011,658.55	1.450	1,137	1.010	561	08/15/2016
427866AP3	11449	HERSHEY COMPANY		05/20/2014	947,000.00	1,017,949.24	1,049,579.04	5.450	835	0.656	578	09/01/2016
90521APH5	11431	UnionBanc Investments		02/24/2014	4,000,000.00	4,025,920.00	4,068,800.00	1.500	945	0.827	603	09/26/2016
88579YAD3	11467	3M		07/08/2014	3,544,000.00	3,594,360.24	3,605,842.80	1.375	814	0.584	606	09/29/2016
478160BF0	11518	Johnson & Johnson		11/25/2014	4,000,000.00	4,010,080.00	4,005,200.00	0.700	734	0.635	666	11/28/2016
19416QDX5	11509	Colgate Palmolive		11/10/2014	3,698,000.00	3,740,822.84	3,733,759.66	1.300	797	0.851	714	01/15/2017
717081DD2	11430	Pfizer Inc		02/24/2014	4,000,000.00	4,010,400.00	4,008,800.00	0.900	1,056	0.823	714	01/15/2017
1727275	11500	Cisco Systems		10/27/2014	5,000,000.00	5,037,100.00	5,039,850.00	1.100	858	0.828	761	03/03/2017
88579YAE1	11392	3M		12/10/2013	2,500,000.00	2,514,800.00	2,495,925.00	1.000	1,294	1.047	876	06/26/2017
88579YAE1	11393	3M		12/10/2013	2,500,000.00	2,514,800.00	2,495,475.00	1.000	1,294	1.052	876	06/26/2017
64952WBK8	11283	New York Life		01/23/2013	2,855,000.00	2,859,111.20	2,872,529.70	1.300	1,741	1.167	1,002	10/30/2017
594918AP9	11311	Microsoft		04/30/2013	2,500,000.00	2,495,200.00	2,505,000.00	0.875	1,660	0.931	1,018	11/15/2017
458140AL4	11513	Intel		11/20/2014	3,000,000.00	3,022,770.00	2,995,260.00	1.350	1,121	1.403	1,048	12/15/2017
19416QEB2	11476	Colgate Palmolive		07/28/2014	1,500,000.00	1,491,285.00	1,472,835.00	0.900	1,373	1.396	1,185	05/01/2018
037833AJ9	11321	Apple Inc.		05/06/2013	2,500,000.00	2,489,843.75	2,505,600.00	1.000	1,823	0.954	1,187	05/03/2018
037833AJ9	11326	Apple Inc.		05/17/2013	2,500,000.00	2,489,843.75	2,478,975.00	1.000	1,812	1.175	1,187	05/03/2018
478160BG8	11391	Johnson & Johnson		12/05/2013	2,000,000.00	2,039,180.00	2,000,080.00	1.650	1,826	1.649	1,403	12/05/2018
17275RAR3	11502	Cisco Systems		10/30/2014	2,500,000.00	2,565,400.00	2,540,456.60	2.125	1,583	1.819	1,489	03/01/2019
037833AQ3	11461	Apple Inc.		06/13/2014	3,000,000.00	3,083,760.00	3,011,100.00	2.100	1,788	2.020	1,555	05/06/2019
90520EAF8	11493	MUFG UNION BANK		09/30/2014	4,000,000.00	4,055,624.80	3,991,080.00	2.250	1,679	2.301	1,555	05/06/2019
717081DL4	11515	Pfizer Inc		11/24/2014	3,000,000.00	3,088,020.00	3,018,075.00	2.100	1,633	1.971	1,564	05/15/2019
25468PDA1	11519	Walt Disney Company		11/28/2014	4,000,000.00	4,059,800.00	3,991,229.24	1.850	1,644	1.901	1,579	05/30/2019
89236TBP9	11472	Toyota Motor Credit Corp		07/21/2014	4,000,000.00	4,114,080.00	4,000,000.00	2.125	1,823	2.125	1,628	07/18/2019
084670BL1	11490	Berkshire Hathaway		09/16/2014	4,000,000.00	4,109,760.00	4,006,306.67	2.100	1,793	2.106	1,655	08/14/2019
68389XAX3	11522	Oracle		12/05/2014	2,500,000.00	2,571,075.00	2,524,881.25	2.250	1,768	2.110	1,710	10/08/2019
742718EG0	11507	Procter & Gamble		11/10/2014	3,000,000.00	3,064,200.00	3,000,598.33	1.900	1,817	1.904	1,734	11/01/2019
		Subtotal and Average	**122,409,124.82**		**121,330,000.00**	**122,675,185.60**	**122,401,507.43**		**1,181**	**1.089**	**838**	

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
January 31, 2015

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	3,047,910.00	3,020,790.00	2.250	1,787	2.100	1,550	05/01/2019
91412GSB2	11532	University of California		01/12/2015	1,130,000.00	1,134,463.50	1,127,953.32	1.796	1,631	1.851	1,611	07/01/2019
		Subtotal and Average	**3,748,501.82**		**4,130,000.00**	**4,182,373.50**	**4,148,743.32**		**1,745**	**2.032**	**1,567**	
		Total and Average	**582,909,064.24**		**579,919,288.82**	**582,151,017.87**	**580,888,704.22**		**1,091**	**0.905**	**780**	

City of Santa Monica
Portfolio Management
Activity By Type
January 1, 2015 through January 31, 2015

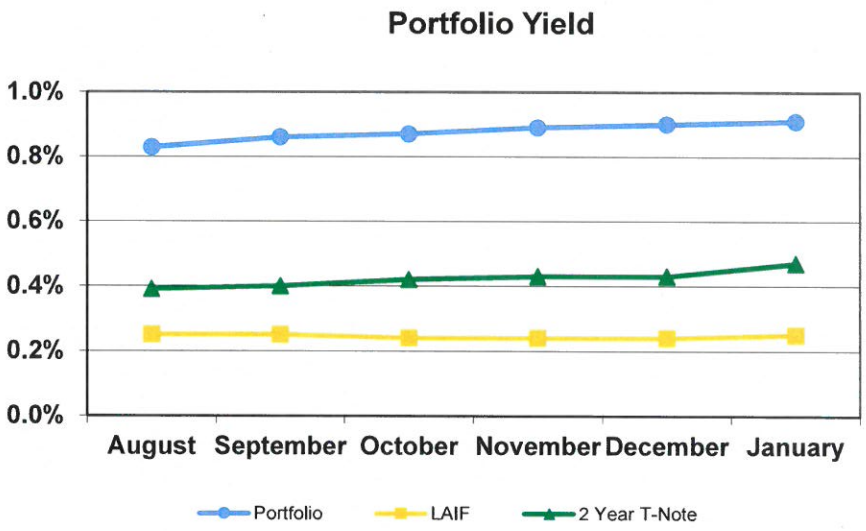
CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Treasury Coupon Securities							
		Subtotal					**2,990,625.00**
Federal Agency Coupon							
3133EDRW4	11484	Federal Farm Credit Bank	1.500	01/26/2015	0.00	2,000,000.00	
3133EEJY7	11536	Federal Farm Credit Bank	1.690	01/22/2015	1,154,422.50	0.00	
313381H24	11353	Federal Home Loan Bank	0.250	01/16/2015	0.00	2,998,200.00	
3130A0JV3	11403	Federal Home Loan Bank	0.190	01/06/2015	0.00	10,000,700.00	
3130A0QU7	11412	Federal Home Loan Bank	0.125	01/23/2015	0.00	2,998,920.00	
3130A0LE8	11418	Federal Home Loan Bank	0.170	01/09/2015	0.00	4,000,280.00	
3130A1DL9	11442	Federal Home Loan Bank	2.010	01/27/2015	0.00	4,000,000.00	
3130A3BE3	11496	Federal Home Loan Bank	1.750	01/23/2015	0.00	2,000,000.00	
3130A3VU5	11533	Federal Home Loan Bank	0.550	01/29/2015	4,000,000.00	0.00	
3130A2C61	11540	Federal Home Loan Bank	0.375	01/30/2015	2,999,790.00	0.00	
3134G4TS7	11406	Fed Home Loan Mortgage Corp	1.150	01/28/2015	0.00	5,000,000.00	
3134G5X83	11531	Fed Home Loan Mortgage Corp	1.450	01/30/2015	3,000,000.00	0.00	
3134G5WM3	11534	Fed Home Loan Mortgage Corp	1.000	01/16/2015	4,002,000.00	0.00	
3134G6AC7	11538	Fed Home Loan Mortgage Corp	0.850	01/28/2015	3,000,000.00	0.00	
31315P4H9	11415	Farmer Mac	1.950	01/30/2015	0.00	5,000,000.00	
		Subtotal			**18,156,212.50**	**37,998,100.00**	**391,765,678.54**
Federal Agency Discount							
313384JT76	11539	Federal Home Loan Bank	0.110	01/30/2015	4,997,250.00	0.00	
		Subtotal			**4,997,250.00**	**0.00**	**9,992,861.11**
Local Agency Investment Funds (Monthly Summary)							
SYS10090	10090	Local Agency Investment Fund	0.262		31,754.18	0.00	
		Subtotal			**31,754.18**	**0.00**	**49,589,288.82**
Columbia Money Market Fund (Monthly Summary)							
		Subtotal					**0.00**
Local Agency Investment Funds - RDA (Monthly Summary)							
		Subtotal					**0.00**
Corporate Bonds							

City of Santa Monica
Portfolio Management
Activity By Type
January 1, 2015 through January 31, 2015

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Corporate Bonds							
		Subtotal					**122,401,507.43**
State of California Obligations							
91412GSB2	11532	University of California	1.796	01/12/2015	1,127,333.20	0.00	
		Subtotal			**1,127,333.20**	**0.00**	**4,148,743.32**
		Total			**24,312,549.88**	**37,998,100.00**	**580,888,704.22**

Portfolio Yield

The portfolio yield-to-maturity was 0.91% as of January 31, 2015, up one basis point from the prior month and twenty basis points from one year earlier. This was the eighth consecutive month in which the portfolio yield has increased. However, the extended record low interest rate environment continues to hamper portfolio returns as rates remain near historically low levels. The month-end two-year Constant Maturing Treasury security yield (CMT) plunged twenty basis points in January after spiking up the same amount in December. The twelve month moving average ended the month at 0.47%, up one basis point from the prior month. 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 January. 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.



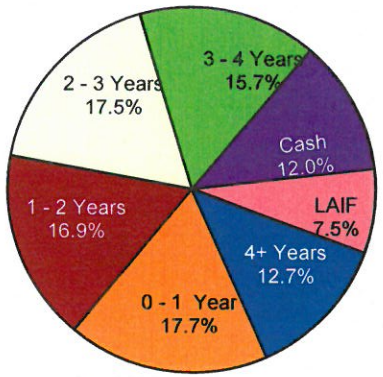
Overall, interest rates in the two to five year maturity range fell sharply in January after increasing in December as rates continue to be very volatile. During the last twelve months, the two year CMT month-end rate has varied from a low of .33% to last month's level of 0.67%. Rates are expected to remain relatively low through at least the first half of 2015. The twelve month moving average LAIF yield increased slightly to 0.25% in January, the first increase in over six years, but still remains near its all-time low. The month-end LAIF rate was 0.26%.

At its January meeting, the Federal Open Market Committee (Fed) left the target Fed Funds rate unchanged at a range of 0% to 0.25%. However, the Fed policy statement indicated the economy is expanding at a solid pace including a strengthening labor market, low inflation, better household spending, and advancing business investment. The Fed indicated that lower interest rates were still appropriate and that it could be patient in deciding when to begin to tighten (raise) rates. While it also noted that continued expansion in the economy could lead to earlier than anticipated interest rate increases, the bond market experienced lowered rates as expectations for the Fed action were extended from April 2015 to at least June. Fourth quarter GDP showed mild growth of 2.2 % after strong gains of 5% and 4.6% the previous two quarters. Most recent economic projections predict annualized growth in the 2.5-3% range for 2015. The January unemployment rate increased slightly to 5.7%. However, the rate is expected to decrease over the next several months. The housing market data has shown signs of improvement. The stock market, as measured by the Dow Jones Industrial Average fell 3.7% in January on concerns about the European economy.

The City's portfolio yield-to-maturity is now showing a consistent, but moderate upward trend. 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. Overall, 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 January was $0.7 million. Fiscal year-to-date revenues on a cash basis are now 29.1% greater than the same period last year.

Portfolio Maturities

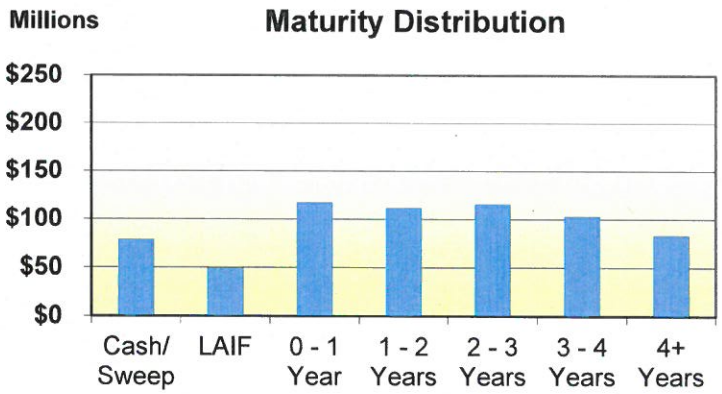


Maturity Distribution

The weighted average days to maturity of the portfolio as of January 31, 2015 is 780 days (2.1 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. While the City has begun to lower the high liquidity portion of the portfolio as the final impact of RDA dissolution is becoming clearer, approximately half of the

portfolio continues to be held in maturities of 2 years or less (including cash and LAIF balances).

While interest rates have advanced over the last several months, 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 the middle of 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 January 31, 2015, the market value and the book value of the City's pooled investments (excluding cash) are:

$	582,151,017.87
$	580,888,704.22
$	1,262,313.65

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 January 31, 2015. 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 $6,011,926.67. 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 1/31/15

	Pooled Portfolio (1) (3)	% of Portfolio	Legal/ Policy Limit	In Compliance (Yes/No)
Federal Agency Securities				
Federal Home Loan Bank	$145,397,355.00	22.0%	50.0%	Yes
Federal National Mortgage Association	53,994,450.00	8.2%	50.0%	Yes
Federal Home Loan Mortgage Corporation	123,185,966.25	18.7%	50.0%	Yes
Farmer Mac	18,999,350.00	2.9%	50.0%	Yes
Federal Farm Credit Bank	60,181,418.40	9.1%	50.0%	Yes
Total Federal Agency Securities	$401,758,539.65	60.9%	n/a	Yes
Treasury Bills	$2,990,625.00	0.5%	n/a	Yes
State of CA/UC Obligations	$4,148,743.32	0.6%	n/a	Yes
Corporate Bonds	$122,401,507.43	18.6%	30.0%	Yes
Money Market Mutual Funds	$0.00	0.0%	10.0%	Yes
State Local Agency Investment Fund-City	$49,589,288.82	7.5%	$50 million	Yes
Cash (2)	$78,942,953.23	12.0%	None	Yes
Total (Book Value)	**$659,831,657.45**	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 and cash balance held by BNY Mellon. Does not include balance of HUD depository account ($61,246.02), Successor Agency RPTTF account ($4,185,138.29), Ocean Park Special Fund ($956,920.24), payroll account ($322,796.14) 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 1/31/15 (Book Value)

Corporate Security	Pooled Portfolio	Credit Rating*	In Compliance (Yes/No)
Wells Fargo and Company 3.625% maturing 4/15/15	$5,150,375.96	A+	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	$4,105,920.00	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	$3,733,759.66	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	$2,995,260.00	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	$4,000,000.00	AA-	Yes
Berkshire Hathaway 2.18% maturing 8/14/19	$4,006,306.67	AA	Yes
Oracle 2.25% maturing 10/8/19	$2,524,881.25	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