City of Santa Monica®

Information Item

Date: October 09, 2015

To: Mayor and City Council

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

Subject: City Monthly Cash and Investment Report for July 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 July 31, 2015.

Discussion

The July 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 $49.6 million in July to $640.1 million. The decrease primarily reflects prepayment, at a discount, of the City's FY 2015-16 CalPERS liability. The pooled portfolio yield-to-maturity of 1.0% is four basis points more than the prior month and nineteen basis points higher than in July 2014. Net investment earnings for the month were $0.6 million. July investment earnings were 65.4% 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 13 months due to an upward trend in rates and the gradual rebalancing of the portfolio. The City received the final report on the State Controller's Office audit of RDA assets in June. As a result, the need to hold extraordinarily large cash balances has been removed and the City will continue to rebalance the portfolio 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 July 31, 2015

included $15.1 million in debt proceeds held in trust with various fiscal agents, $21.5 million in other funds held in trust, and $28,922 in petty cash/change funds for a total balance of $676.8 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 July 31, 2015, the market value of the City's portfolio was approximately $19,000 less than the book value.

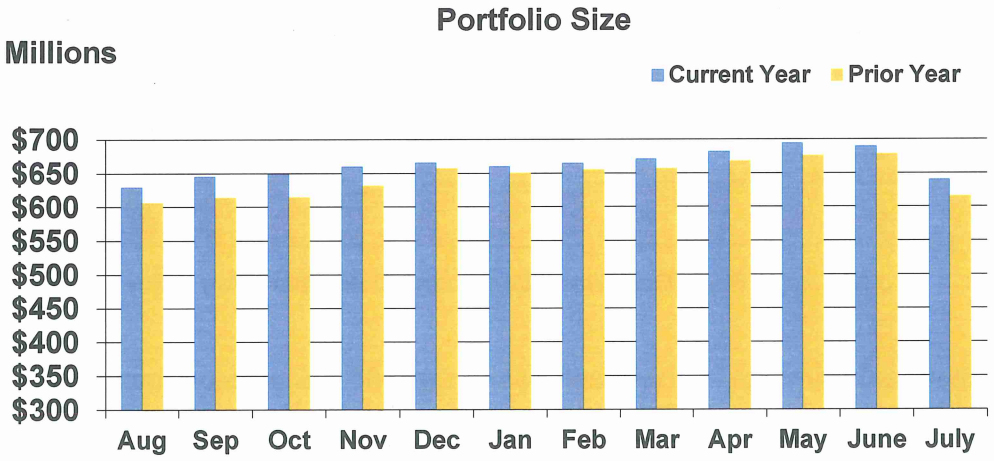
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer as of July 31, 2015.

Prepared by: David Carr, Assistant City Treasurer

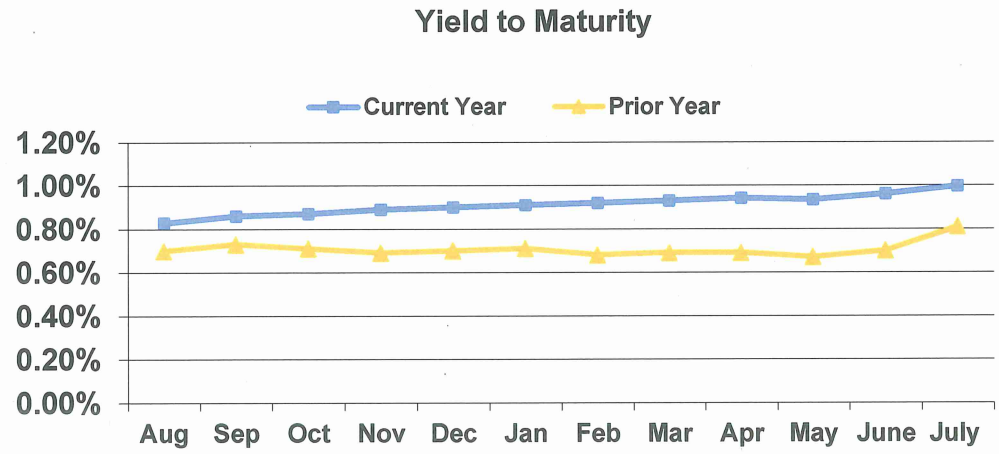
Attachments: 1 – Investment Highlights
2 – Investment Report

ATTACHMENT 1

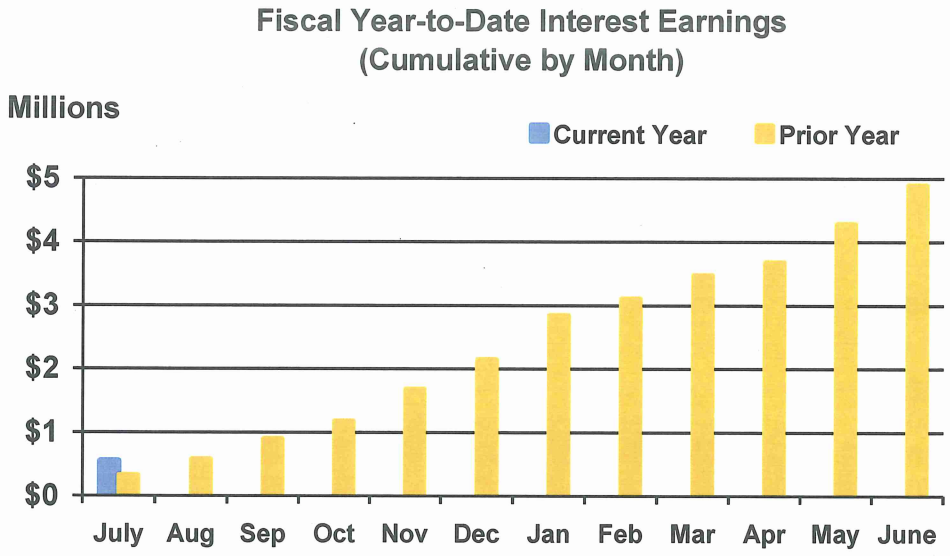
Investment Highlights
July 31, 2015



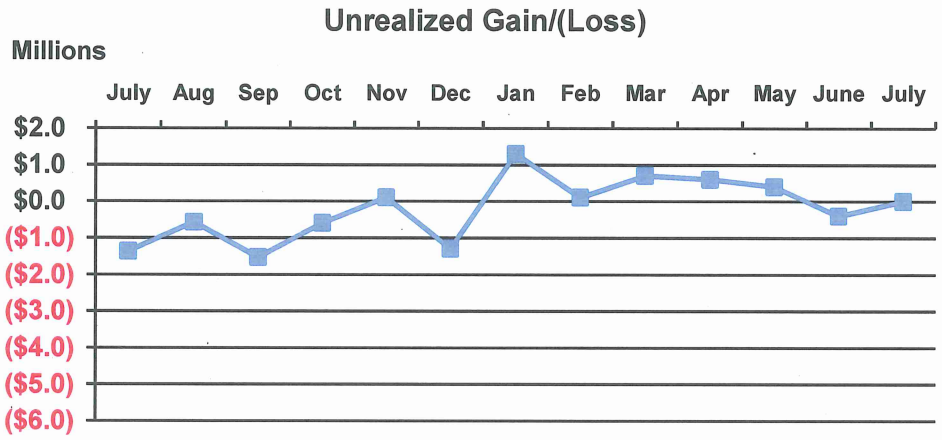
- As of July 31, 2015, the portfolio size is $640.1 million, $49.6 million less than in the prior month. The decrease is primarily due to the prepayment of the City's FY 2015-16 CalPERS liability.
- Portfolio value is $24.2 million greater than one year ago.



- As of July 31, 2015, yield to maturity is 1.0%.
- Up four basis points from the prior month and up nineteen basis points from one year earlier.



- Investment earnings in July (cash basis) were 65.4% greater than one year earlier.



- As of July 31, 2015, the market value is about $19,000 less than the unamortized book value (purchase price).

ATTACHMENT 2

City of
Santa Monica®

Investment Report
July 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
July 31, 2015

Petty Cash/Change Funds		**$28,922.00**
Pooled Portfolio		
Wells Fargo Bank (1)	$48,124,171.82	
Bank of New York (BNY)		
Cash	$0.00	
Corporate Bonds	$123,533,603.78	
Treasury Bills	$2,990,625.00	
State of California Bonds	$6,655,173.20	
Supranationals	$5,007,310.00	
Federal Agencies Securities	$404,172,941.61	
Total Bank of New York	$542,359,653.59	
State of California Local Agency Investment Fund - City	$49,656,167.44	
Total Pooled Portfolio		**$640,139,992.85**
Restricted Cash/Investments Held in Trust/Debt Proceeds		
Union Bank - Redevelopment Agency Term Loan	$11,650,111.82	
Union Bank-Earthquake Recovery Redevelopment 2006		
Tax Allocation Refunding Bonds Series A & B	$9.44	
Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds	$48.42	
Union Bank-RDA 2011 Tax Allocation Bonds	$2,262,452.80	
BNY-2011 Parking Structure Series A & B	$2.82	
BNY-Parking Authority Lease Revenue Bonds 2002 Refunding	$4.09	
BNY-Public Safety Facility Bonds 2009 Refunding	$1,087,278.52	
U.S. Bank-Wastewater Enterprise Revenue Bonds-2012 Refunding	$133,275.00	
Total Restricted Cash/Investments Held in Trust		**$15,133,182.91**
Other Restricted Funds/Funds Held in Trust		
Cemetery Perpetual Care Fund (3)	$10,401,296.00	
Mausoleum Perpetual Care Fund (3)	$1,214,982.00	
Santa Monica Redevelopment Successor Agency RPTTF-Wells Fargo	$7,545,281.41	
Wells Fargo Bank - HUD Depository Account (4)	$102,475.91	
Wells Fargo Bank - Payroll Account	$332,795.74	
Wells Fargo Bank -RDA Successor Agency - OP Special Fund	$288,580.24	
Union Bank - W.E. O'Neil Direct Owner Costs PGW Escrow	$1,478,834.93	
Wells Fargo Bank - Public Agency Family Self Sufficiency Program (2)	$142,872.34	
Total Other Funds Held in Trust		**$21,507,118.57**
GRAND TOTAL		**$676,809,216.33**

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

(1) These are the actual bank account balances as of 7/31/2015. 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 the 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 - June 30, 2015	689,720,925.43
Receipts	56,593,920.14
Disbursements	(106,174,852.72)
Cash and Investments - July 31, 2015	640,139,992.85

Pooled portfolio 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 July 31, 2015, total City cash and investments (including cash held for the Successor Agency to the Redevelopment Agency) were $676.8 million, a $66.2 million decrease from the prior month. Other Restricted Funds/Funds Held in Trust decreased by $5.9 million, primarily due to payment of Successor Agency RPTTF funds for debt service, loan payments, and other enforceable obligations. Restricted Cash/Investments Held in Trust/Debt Proceeds decreased by $10.7 million reflecting the payment of funds from the City trustees for the July debt service payments. Partially offsetting was a decrease in the pooled portfolio primarily reflecting the transfer of funds to the trustees. Total cash and investments are categorized as follows:

Petty Cash/Change Funds	$ 28,922.00
Pooled Investment Portfolio	$ 640,139,992.85
Restricted Cash/Investment Held in Trust	$ 15,133,182.91
Other Funds Held in Trust	$ 21,507,118.57
Total	$ 676,809,216.33

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.

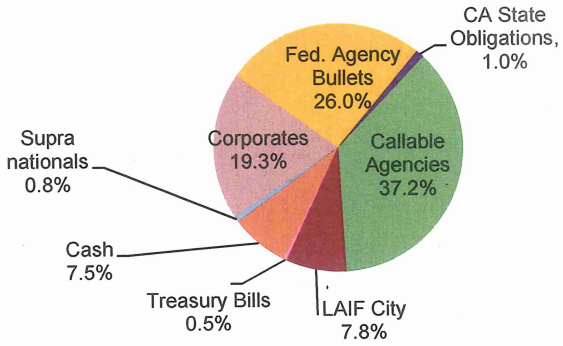
Pooled Investment Portfolio

As of July 31, 2015, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is $640.1 million, $49.6 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. The portfolio value typically decreases in July due to the prepayment (at a discount) of the City's annual CalPERS obligation (FY 2015/16 payment - $44.9 million). Four investments were made during the month ($17.4 million), eight investments matured ($27.6 million), and four investments were called ($15 million). The balance of cash held at Wells Fargo Bank decreased by about $24.4 million in July. 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

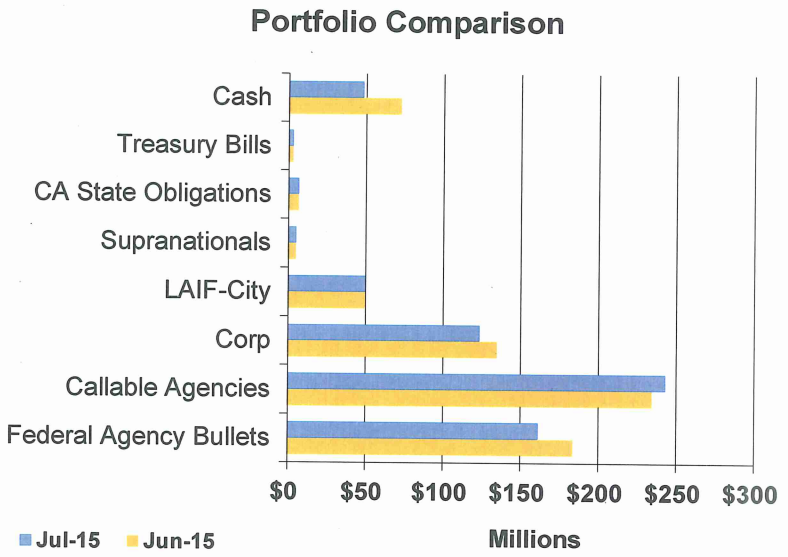
The portfolio is appropriately diversified and is in compliance with the City's Investment Policy and applicable provisions of the State Government Code. The largest sector of the portfolio is Federal Agency Securities (63.2%). The remaining 36.8% includes the State Local Agency Investment Fund (7.8%), corporate bonds (19.3%), CA State Obligations (1%), Treasury Bills (0.5%), Supranationals (0.8%) and cash (7.5%). 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 Composition



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. The final results of the State Controller's review have now been received, and 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.

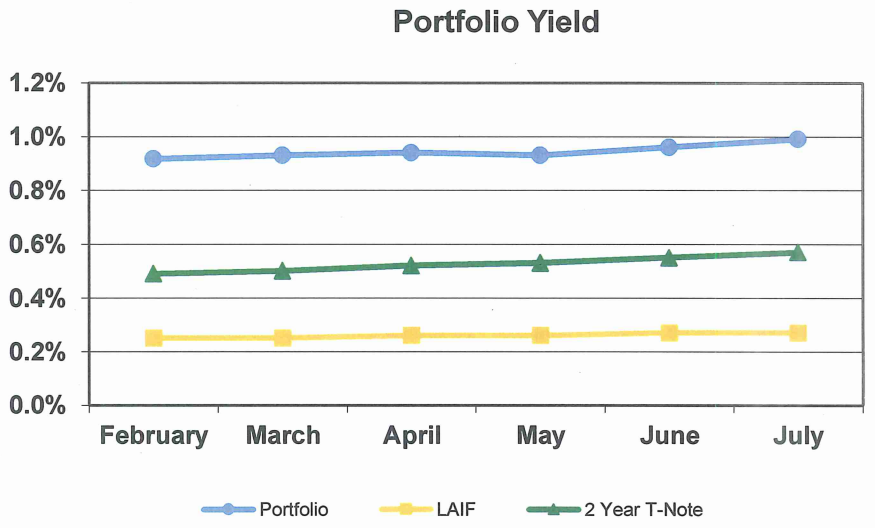


Rebalancing of Portfolio

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 July. Staff will continue to look for prudent opportunities.

Portfolio Yield

The portfolio yield-to-maturity was 1.00% as of July 31, 2015, up four basis points from the prior month and nineteen basis points greater than one year earlier. While the extended record low interest rate environment continues to hamper portfolio returns, rates have been trending slowly upward the last several months. The month-end two-year Constant Maturing Treasury security yield (CMT) increased two basis points in July to 0.67%. The twelve month moving average ended the month at 0.57%, up two basis points 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 July. 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 rose in July and continued a recent pattern of increase. However, some rate volatility may continue in the upcoming months as financial markets try and assess economic data and the timing of future action by the Federal Reserve. In addition, uncertain global economic activity continues to affect rates. During the last twelve months, the two year CMT month-end rate has varied from a low of 0.47% to 0.67%. Rates are now expected to remain relatively low through at least the fall of 2015. The twelve month moving average LAIF yield was 0.27% in July, no change from June, and remains near its all-time low. The month-end LAIF rate was 0.32%, the highest level in over two years, but also still near the all-time low.

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
July 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	3,011,490.00	2,990,625.00	0.875	1,086	0.982	714	07/15/2017
		Subtotal and Average	**2,990,625.00**		**3,000,000.00**	**3,011,490.00**	**2,990,625.00**		**1,086**	**0.982**	**714**	
Federal Agency Coupon												
31331J4J9	11020	Federal Farm Credit Bank		12/07/2010	2,000,000.00	2,010,560.00	2,000,000.00	1.740	1,826	1.740	128	12/07/2015
3133EA3J5	11253	Federal Farm Credit Bank		10/10/2012	5,000,000.00	4,989,050.00	5,000,000.00	0.900	1,826	0.900	801	10/10/2017
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	450	10/24/2016
3133ECKV5	11302	Federal Farm Credit Bank		04/05/2013	3,000,000.00	2,995,020.00	3,000,000.00	0.700	1,522	0.700	674	06/05/2017
3133EA4H8	11305	Federal Farm Credit Bank		04/04/2013	5,000,000.00	4,983,400.00	4,999,250.00	0.820	1,559	0.824	710	07/11/2017
3133EDC59	11401	Federal Farm Credit Bank		01/03/2014	3,870,000.00	3,870,270.90	3,865,588.20	0.250	593	0.320	18	08/19/2015
3133EDNC2	11456	Federal Farm Credit Bank		06/13/2014	2,500,000.00	2,504,000.00	2,499,375.00	0.700	945	0.710	531	01/13/2017
3133EDQL9	11481	Federal Farm Credit Bank		08/27/2014	3,000,000.00	3,000,450.00	2,999,640.00	0.230	414	0.241	75	10/15/2015
3133EDNS7	11508	Federal Farm Credit Bank		11/06/2014	2,105,000.00	2,104,768.45	2,104,305.35	0.450	592	0.470	324	06/20/2016
3133EEFP0	11523	Federal Farm Credit Bank		12/22/2014	2,500,000.00	2,501,800.00	2,498,750.00	1.200	1,092	1.217	870	12/18/2017
3133EDK92	11527	Federal Farm Credit Bank		12/24/2014	5,000,000.00	5,011,100.00	5,000,847.22	0.500	579	0.621	359	07/25/2016
3133EEJY7	11536	Federal Farm Credit Bank		01/22/2015	1,155,000.00	1,152,378.15	1,154,422.50	1.690	1,551	1.702	1,360	04/22/2019
3133EEYJ3	11573	Federal Farm Credit Bank		04/13/2015	2,500,000.00	2,487,275.00	2,500,000.00	1.680	1,827	1.680	1,717	04/13/2020
3133EE2D1	11607	Federal Farm Credit Bank		06/24/2015	5,000,000.00	5,025,900.00	5,000,000.00	1.720	1,461	1.720	1,423	06/24/2019
3133EE4S6	11615	Federal Farm Credit Bank		07/29/2015	5,000,000.00	5,000,150.00	4,992,250.00	1.650	1,461	1.690	1,458	07/29/2019
3133823A9	11285	Federal Home Loan Bank		02/22/2013	5,000,000.00	4,992,350.00	5,000,000.00	1.150	1,826	1.150	936	02/22/2018
3133834R9	11322	Federal Home Loan Bank		05/15/2013	3,000,000.00	3,000,090.00	2,990,280.00	0.375	1,136	0.480	328	06/24/2016
313383CM1	11329	Federal Home Loan Bank		06/20/2013	3,000,000.00	2,999,730.00	3,000,000.00	0.600	1,279	0.600	507	12/20/2016
313383EN7	11334	Federal Home Loan Bank		06/20/2013	5,000,000.00	5,004,300.00	5,000,000.00	1.000	1,826	1.000	1,054	06/20/2018
313383GK1	11337	Federal Home Loan Bank		06/27/2013	3,800,000.00	3,797,340.00	3,800,000.00	1.125	1,826	1.125	1,061	06/27/2018
313383C25	11345	Federal Home Loan Bank		06/25/2013	2,500,000.00	2,504,600.00	2,412,500.00	1.200	1,821	1.818	1,054	06/20/2018
313379DT3	11386	Federal Home Loan Bank		11/12/2013	4,000,000.00	4,018,400.00	3,960,880.00	1.250	1,669	1.472	1,042	06/08/2018
3130A0XC9	11435	Federal Home Loan Bank		02/26/2014	4,000,000.00	3,995,080.00	4,000,000.00	1.300	1,461	1.300	940	02/26/2018
3130A1BK3	11444	Federal Home Loan Bank		03/24/2014	5,000,000.00	5,001,750.00	5,000,000.00	0.500	823	0.500	328	06/24/2016
3130A25G7	11453	Federal Home Loan Bank		06/05/2014	3,000,000.00	3,000,150.00	2,999,526.00	1.050	1,188	1.055	766	09/05/2017
3130A2ZY5	11488	Federal Home Loan Bank		09/15/2014	2,500,000.00	2,499,925.00	2,499,725.00	0.210	389	0.220	69	10/09/2015
3130A2QV1	11494	Federal Home Loan Bank		10/01/2014	5,000,000.00	5,002,200.00	5,001,950.00	0.340	481	0.310	177	01/25/2016
313375RN9	11504	Federal Home Loan Bank		11/04/2014	3,000,000.00	3,012,420.00	3,026,280.00	1.000	493	0.353	223	03/11/2016
3130A3KJ2	11514	Federal Home Loan Bank		11/21/2014	3,000,000.00	2,999,730.00	3,000,000.00	0.320	483	0.320	230	03/18/2016
313383R78	11516	Federal Home Loan Bank		11/21/2014	2,825,000.00	2,831,610.50	2,838,644.75	0.750	605	0.457	352	07/18/2016
3130A3HV9	11521	Federal Home Loan Bank		12/03/2014	3,000,000.00	2,999,250.00	2,997,840.00	0.125	350	0.200	109	11/18/2015
3130A3MR2	11524	Federal Home Loan Bank		12/30/2014	458,333.33	459,529.58	458,333.33	2.000	1,826	2.000	1,612	12/30/2019

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
July 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												
3130A3S88	11526	Federal Home Loan Bank		12/22/2014	3,355,000.00	3,355,536.80	3,353,221.85	0.250	358	0.304	136	12/15/2015
3133834R9	11528	Federal Home Loan Bank		12/24/2014	5,000,000.00	5,000,150.00	4,985,750.00	0.375	548	0.566	328	06/24/2016
3130A3PA6	11530	Federal Home Loan Bank		12/30/2014	6,000,000.00	6,018,960.00	6,000,000.00	1.550	1,826	1.550	1,612	12/30/2019
3130A2C61	11540	Federal Home Loan Bank		01/30/2015	3,000,000.00	3,000,390.00	2,999,790.00	0.375	497	0.380	314	06/10/2016
3130A3Y32	11546	Federal Home Loan Bank		02/04/2015	3,000,000.00	2,999,790.00	3,000,000.00	0.270	383	0.270	205	02/22/2016
3130A4GY2	11552	Federal Home Loan Bank		03/24/2015	5,500,000.00	5,513,860.00	5,500,000.00	1.375	1,280	1.375	1,150	09/24/2018
3130A4HE5	11554	Federal Home Loan Bank		03/23/2015	3,000,000.00	3,007,710.00	3,000,000.00	1.200	1,096	1.200	965	03/23/2018
3130A4KX9	11556	Federal Home Loan Bank		03/30/2015	4,750,000.00	4,761,067.50	4,750,000.00	1.800	1,827	1.800	1,703	03/30/2020
3130A4Q54	11558	Federal Home Loan Bank		03/18/2015	5,000,000.00	4,994,800.00	5,000,000.00	0.800	791	0.798	655	05/17/2017
3130A4RJ3	11562	Federal Home Loan Bank		04/13/2015	3,000,000.00	2,990,310.00	3,000,000.00	1.200	1,187	1.200	1,077	07/13/2018
3130A4TH5	11570	Federal Home Loan Bank		03/30/2015	3,000,000.00	2,991,720.00	3,000,000.00	1.300	1,369	1.300	1,245	12/28/2018
3130A4WN8	11572	Federal Home Loan Bank		04/29/2015	2,500,000.00	2,480,050.00	2,500,000.00	1.500	1,827	1.500	1,733	04/29/2020
3130A4WW8	11574	Federal Home Loan Bank		04/29/2015	2,500,000.00	2,487,025.00	2,500,000.00	1.350	1,461	1.350	1,367	04/29/2019
3130A4SL7	11577	Federal Home Loan Bank		04/09/2015	1,285,000.00	1,279,654.40	1,285,441.72	1.375	1,450	1.375	1,336	03/29/2019
3130A4Y63	11580	Federal Home Loan Bank		04/23/2015	2,500,000.00	2,498,900.00	2,498,913.89	0.250	358	0.300	258	04/15/2016
3130A4W32	11584	Federal Home Loan Bank		04/28/2015	2,500,000.00	2,500,175.00	2,500,000.00	0.700	731	0.700	636	04/28/2017
3130A5AV1	11586	Federal Home Loan Bank		05/26/2015	2,000,000.00	2,000,300.00	2,000,000.00	0.500	731	0.500	664	05/26/2017
3130A4JT0	11590	Federal Home Loan Bank		03/17/2015	2,750,000.00	2,751,182.50	2,750,190.97	0.500	1,701	0.500	1,564	11/12/2019
313379EE5	11596	Federal Home Loan Bank		05/21/2015	3,000,000.00	3,018,180.00	3,021,810.00	1.625	1,485	1.592	1,413	06/14/2019
3130A3CC6	11599	Federal Home Loan Bank		05/27/2015	10,000,000.00	10,000,500.00	10,004,269.44	0.190	140	0.137	74	10/14/2015
3130A5RE1	11608	Federal Home Loan Bank		06/29/2015	3,000,000.00	2,998,890.00	3,000,000.00	1.170	1,096	1.170	1,063	06/29/2018
3130A5VK2	11613	Federal Home Loan Bank		07/22/2015	4,000,000.00	4,009,200.00	4,000,000.00	1.575	1,461	1.575	1,451	07/22/2019
3134G3B90	11243	Fed Home Loan Mortgage Corp		08/15/2012	2,000,000.00	2,000,860.00	1,998,520.00	0.875	1,826	0.890	745	08/15/2017
3137EADJ5	11290	Fed Home Loan Mortgage Corp		01/31/2013	2,500,000.00	2,513,050.00	2,509,875.00	1.000	1,639	0.910	727	07/28/2017
3134G37H7	11301	Fed Home Loan Mortgage Corp		04/25/2013	5,000,000.00	4,994,800.00	5,000,000.00	1.150	1,826	1.150	998	04/25/2018
3134G44N5	11317	Fed Home Loan Mortgage Corp		05/28/2013	3,000,000.00	2,983,200.00	3,000,000.00	0.750	1,645	0.750	850	11/28/2017
3137EADH9	11335	Fed Home Loan Mortgage Corp		05/29/2013	3,000,000.00	3,016,290.00	3,009,930.00	1.000	1,492	0.976	698	06/29/2017
3134G3ZH6	11341	Fed Home Loan Mortgage Corp		06/06/2013	4,000,000.00	4,014,680.00	4,000,000.00	1.000	1,510	1.000	724	07/25/2017
3137EADH9	11348	Fed Home Loan Mortgage Corp		06/27/2013	2,500,000.00	2,513,575.00	2,474,375.00	1.000	1,463	1.346	698	06/29/2017
3137EADJ5	11394	Fed Home Loan Mortgage Corp		12/17/2013	5,000,000.00	5,026,100.00	4,992,900.00	1.000	1,319	1.040	727	07/28/2017
3134G3W55	11455	Fed Home Loan Mortgage Corp		06/03/2014	3,000,000.00	3,002,460.00	3,009,480.00	0.450	539	0.235	115	11/24/2015
3134G5AQ8	11463	Fed Home Loan Mortgage Corp		06/30/2014	2,000,000.00	2,000,700.00	2,000,000.00	0.700	914	0.700	517	12/30/2016
3134G5LV5	11498	Fed Home Loan Mortgage Corp		11/17/2014	2,500,000.00	2,504,475.00	2,499,910.00	1.000	1,096	1.001	839	11/17/2017
3134G5MF9	11501	Fed Home Loan Mortgage Corp		11/12/2014	2,500,000.00	2,500,675.00	2,500,000.00	1.250	1,826	1.250	1,564	11/12/2019
3134G4Z92	11520	Fed Home Loan Mortgage Corp		12/03/2014	2,500,000.00	2,507,125.00	2,505,475.00	0.875	866	0.782	625	04/17/2017
3134G5VF9	11525	Fed Home Loan Mortgage Corp		12/29/2014	5,000,000.00	5,014,750.00	5,000,000.00	1.450	1,278	1.450	1,063	06/29/2018

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Federal Agency Coupon												
3134G6AC7	11538	Fed Home Loan Mortgage Corp		01/28/2015	3,000,000.00	3,001,920.00	3,000,000.00	0.850	912	0.850	727	07/28/2017
3134G6CN1	11541	Fed Home Loan Mortgage Corp		02/18/2015	3,000,000.00	3,000,870.00	3,000,000.00	1.000	912	1.000	748	08/18/2017
3134G6CN1	11542	Fed Home Loan Mortgage Corp		02/18/2015	2,000,000.00	2,000,580.00	2,000,000.00	1.000	912	1.000	748	08/18/2017
3134G6AY9	11544	Fed Home Loan Mortgage Corp		02/17/2015	3,000,000.00	3,001,530.00	2,999,250.00	0.700	731	0.713	566	02/17/2017
3133EEPA2	11548	Fed Home Loan Mortgage Corp		02/12/2015	4,000,000.00	4,001,000.00	4,000,000.00	1.070	1,096	1.070	926	02/12/2018
3134G6JF1	11553	Fed Home Loan Mortgage Corp		03/26/2015	5,000,000.00	5,007,950.00	5,000,000.00	1.400	1,188	1.400	1,060	06/26/2018
3134G6RG0	11563	Fed Home Loan Mortgage Corp		04/29/2015	4,000,000.00	3,992,200.00	4,000,000.00	1.350	1,279	1.350	1,185	10/29/2018
3134G6UP6	11578	Fed Home Loan Mortgage Corp		04/29/2015	2,500,000.00	2,499,200.00	2,500,000.00	1.000	1,827	1.000	1,733	04/29/2020
3134G6XU2	11585	Fed Home Loan Mortgage Corp		05/14/2015	4,000,000.00	3,999,160.00	4,000,000.00	1.250	1,827	1.250	1,748	05/14/2020
3134G6HE6	11591	Fed Home Loan Mortgage Corp		03/16/2015	3,000,000.00	3,002,610.00	3,000,000.00	1.000	823	1.000	685	06/16/2017
3134G6W41	11593	Fed Home Loan Mortgage Corp		05/29/2015	3,000,000.00	3,000,240.00	3,000,000.00	0.800	727	0.800	663	05/25/2017
3134G6V42	11594	Fed Home Loan Mortgage Corp		06/29/2015	4,000,000.00	4,015,920.00	4,000,000.00	2.000	1,827	2.000	1,794	06/29/2020
3134G62P7	11595	Fed Home Loan Mortgage Corp		06/25/2015	3,000,000.00	2,996,700.00	3,000,000.00	1.700	1,461	1.700	1,424	06/25/2019
3134G6R47	11598	Fed Home Loan Mortgage Corp		06/10/2015	5,000,000.00	4,991,800.00	5,000,000.00	1.500	1,461	1.500	1,409	06/10/2019
3134G65Q2	11600	Fed Home Loan Mortgage Corp		06/24/2015	2,000,000.00	1,998,600.00	2,000,000.00	1.000	1,644	1.000	1,606	12/24/2019
3134G63H4	11601	Fed Home Loan Mortgage Corp		05/29/2015	2,500,000.00	2,500,425.00	2,500,000.00	1.000	913	1.000	849	11/27/2017
3134G6V42	11602	Fed Home Loan Mortgage Corp		06/29/2015	5,000,000.00	5,019,900.00	5,000,000.00	2.000	1,827	2.000	1,794	06/29/2020
3134G67L1	11603	Fed Home Loan Mortgage Corp		06/30/2015	3,000,000.00	3,004,830.00	3,000,000.00	1.300	1,094	1.300	1,062	06/28/2018
3134G7BK6	11605	Fed Home Loan Mortgage Corp		06/30/2015	4,000,000.00	4,000,560.00	4,000,000.00	1.000	1,821	1.000	1,789	06/24/2020
3134G7DQ1	11609	Fed Home Loan Mortgage Corp		07/29/2015	5,445,000.00	5,434,055.55	5,445,000.00	1.750	1,827	1.750	1,824	07/29/2020
3134G7HB0	11614	Fed Home Loan Mortgage Corp		07/30/2015	3,000,000.00	3,005,850.00	3,000,000.00	2.000	1,827	2.000	1,825	07/30/2020
31315PYT0	11318	Farmer Mac		05/02/2013	3,000,000.00	2,992,530.00	3,000,000.00	0.990	1,826	0.990	1,005	05/02/2018
31315PN88	11351	Farmer Mac		07/05/2013	2,000,000.00	2,010,720.00	2,000,000.00	1.100	1,301	1.100	544	01/26/2017
31315P6X2	11499	Farmer Mac		10/29/2014	2,000,000.00	1,999,880.00	1,999,850.00	0.180	365	0.188	89	10/29/2015
31315PQ28	11511	Farmer Mac		11/20/2014	2,000,000.00	2,008,660.00	2,000,000.00	1.970	1,826	1.970	1,572	11/20/2019
3136G1DA4	11286	Federal National Mort Assoc		02/28/2013	5,000,000.00	5,001,850.00	5,000,000.00	1.000	1,826	1.171	942	02/28/2018
3135G0WS8	11316	Federal National Mort Assoc		05/15/2013	3,000,000.00	2,999,970.00	3,000,000.00	0.600	1,280	0.600	472	11/15/2016
3135G0XA6	11319	Federal National Mort Assoc		05/21/2013	3,000,000.00	2,984,880.00	3,000,000.00	1.030	1,826	1.030	1,024	05/21/2018
3136G1NQ8	11336	Federal National Mort Assoc		06/19/2013	4,000,000.00	4,003,480.00	4,000,000.00	1.000	1,461	1.000	688	06/19/2017
3135G0PP2	11425	Federal National Mort Assoc		02/12/2014	2,500,000.00	2,510,300.00	2,492,050.00	1.000	1,316	1.090	781	09/20/2017
3136G22T3	11468	Federal National Mort Assoc		07/28/2014	4,000,000.00	4,014,400.00	4,000,000.00	1.050	1,096	1.050	727	07/28/2017
3136G22V8	11469	Federal National Mort Assoc		07/25/2014	4,000,000.00	4,035,040.00	4,000,000.00	1.500	1,461	1.500	1,089	07/25/2018
3136G23W5	11478	Federal National Mort Assoc		08/28/2014	3,000,000.00	3,003,630.00	3,000,000.00	2.000	1,826	2.000	1,488	08/28/2019
3136G26T9	11486	Federal National Mort Assoc		09/30/2014	2,500,000.00	2,507,725.00	2,500,000.00	2.050	1,826	2.050	1,521	09/30/2019
3136G26U6	11487	Federal National Mort Assoc		10/07/2014	2,500,000.00	2,529,850.00	2,500,000.00	2.000	1,826	2.000	1,528	10/07/2019
3135G0ZF3	11491	Federal National Mort Assoc		09/17/2014	4,000,000.00	4,014,680.00	4,000,000.00	1.070	1,045	1.070	727	07/28/2017

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Federal Agency Coupon												
3136G2D87	11537	Federal National Mort Assoc		02/13/2015	3,000,000.00	2,998,320.00	3,000,000.00	1.000	1,096	1.000	927	02/13/2018
3136G2EF0	11545	Federal National Mort Assoc		02/27/2015	2,000,000.00	1,992,580.00	2,000,000.00	1.450	1,461	1.450	1,306	02/27/2019
3136G2G92	11571	Federal National Mort Assoc		04/27/2015	2,500,000.00	2,498,175.00	2,500,000.00	1.050	1,096	1.050	1,000	04/27/2018
3136G2J81	11587	Federal National Mort Assoc		05/27/2015	5,000,000.00	4,973,300.00	5,000,000.00	1.850	1,827	1.850	1,761	05/27/2020
3136G2K48	11589	Federal National Mort Assoc		05/27/2015	5,000,000.00	4,986,900.00	5,000,000.00	1.800	1,827	1.800	1,761	05/27/2020
		Subtotal and Average	**378,842,852.32**		**373,298,333.33**	**373,548,589.33**	**373,186,390.22**		**1,271**	**1.073**	**927**	
Federal Agency Discount												
313384KS7	11597	Federal Home Loan Bank		05/27/2015	7,500,000.00	7,499,925.00	7,498,477.08	0.085	86	0.086	20	08/21/2015
313384LU1	11611	Federal Home Loan Bank		06/29/2015	10,000,000.00	9,999,400.00	9,998,463.89	0.070	79	0.071	46	09/16/2015
313384PK9	11612	Federal Home Loan Bank		06/29/2015	7,500,000.00	7,497,750.00	7,496,302.08	0.125	142	0.127	109	11/18/2015
313396KR3	11564	Fed Home Loan Mortgage Corp		03/27/2015	3,000,000.00	2,999,970.00	2,998,661.67	0.110	146	0.112	19	08/20/2015
313588UP8	11604	Federal National Mort Assoc		06/03/2015	3,000,000.00	2,995,950.00	2,994,646.67	0.220	292	0.227	233	03/21/2016
		Subtotal and Average	**35,500,196.55**		**31,000,000.00**	**30,992,995.00**	**30,986,551.39**		**123**	**0.107**	**70**	
Local Agency Investment Funds												
SYS10090	10090	Local Agency Investment Fund			49,656,167.44	49,656,167.44	49,656,167.44	0.320	1	0.320	1	
		Subtotal and Average	**49,640,326.44**		**49,656,167.44**	**49,656,167.44**	**49,656,167.44**		**1**	**0.320**	**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												
037833AH3	11320	Apple Inc.		05/06/2013	3,000,000.00	3,000,480.00	3,002,430.00	0.450	1,093	0.423	276	05/03/2016
037833AJ9	11321	Apple Inc.		05/06/2013	2,500,000.00	2,474,675.00	2,505,600.00	1.000	1,823	0.954	1,006	05/03/2018
037833AJ9	11326	Apple Inc.		05/17/2013	2,500,000.00	2,474,675.00	2,478,975.00	1.000	1,812	1.175	1,006	05/03/2018
037833AQ3	11461	Apple Inc.		06/13/2014	3,000,000.00	3,034,950.00	3,011,100.00	2.100	1,788	2.020	1,374	05/06/2019
06406HCU1	11610	Bank of New York Mellon		06/26/2015	2,000,000.00	2,015,960.00	2,011,991.11	2.200	1,419	2.390	1,383	05/15/2019
084670BG2	11291	Berkshire Hathaway		02/11/2013	2,000,000.00	2,002,960.00	2,005,620.00	0.800	1,095	0.705	194	02/11/2016
084670BL1	11490	Berkshire Hathaway		09/16/2014	4,000,000.00	4,034,280.00	3,998,840.00	2.100	1,793	2.106	1,474	08/14/2019

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Corporate Bonds												
084670BD9	11565	Berkshire Hathaway		03/31/2015	2,000,000.00	2,033,180.00	2,043,260.00	1.900	672	0.710	549	01/31/2017
19416QEB2	11476	Colgate Palmolive		07/28/2014	1,500,000.00	1,490,505.00	1,472,835.00	0.900	1,373	1.396	1,004	05/01/2018
19416QDX5	11509	Colgate Palmolive		11/10/2014	3,698,000.00	3,725,439.16	3,733,759.66	1.300	797	0.851	533	01/15/2017
1727275	11500	Cisco Systems		10/27/2014	5,000,000.00	5,017,600.00	5,031,600.00	1.100	858	0.828	580	03/03/2017
17275RAR3	11502	Cisco Systems		10/30/2014	2,500,000.00	2,525,300.00	2,531,750.00	2.125	1,583	1.819	1,308	03/01/2019
17275RAU6	11606	Cisco Systems		06/18/2015	2,500,000.00	2,510,250.00	2,506,214.58	1.650	1,093	1.566	1,049	06/15/2018
25468PDA1	11519	Walt Disney Company		11/28/2014	4,000,000.00	4,009,240.00	3,991,229.24	1.850	1,644	1.901	1,398	05/30/2019
25468PDA1	11551	Walt Disney Company		02/23/2015	2,000,000.00	2,004,620.00	2,006,230.00	1.850	1,557	1.774	1,398	05/30/2019
427866AP3	11449	HERSHEY COMPANY		05/20/2014	947,000.00	995,723.15	1,049,579.04	5.450	835	0.656	397	09/01/2016
459200GX3	11473	IBM Corp		07/24/2014	4,000,000.00	4,051,880.00	4,105,920.00	1.950	729	0.612	356	07/22/2016
459200HZ7	11549	IBM Corp		02/06/2015	3,000,000.00	2,985,990.00	2,990,850.00	1.125	1,096	1.229	920	02/06/2018
459200HL8	11588	IBM Corp		05/08/2015	2,073,000.00	2,071,880.58	2,075,104.10	0.450	364	0.350	279	05/06/2016
458140AL4	11513	Intel		11/20/2014	3,000,000.00	2,999,040.00	2,995,260.00	1.350	1,121	1.403	867	12/15/2017
478160AY0	11293	Johnson & Johnson		02/12/2013	2,000,000.00	2,025,960.00	2,105,040.00	2.150	1,188	0.522	288	05/15/2016
478160BG8	11391	Johnson & Johnson		12/05/2013	2,000,000.00	2,018,360.00	2,000,080.00	1.650	1,826	1.649	1,222	12/05/2018
478160BF0	11518	Johnson & Johnson		11/25/2014	4,000,000.00	4,007,600.00	4,005,200.00	0.700	734	0.635	485	11/28/2016
46623EJR1	11506	JP Morgan Chase		11/06/2014	2,000,000.00	2,001,980.00	2,010,960.00	1.100	343	0.410	75	10/15/2015
88579YAE1	11392	3M		12/10/2013	2,500,000.00	2,499,550.00	2,495,925.00	1.000	1,294	1.047	695	06/26/2017
88579YAE1	11393	3M		12/10/2013	2,500,000.00	2,499,550.00	2,495,475.00	1.000	1,294	1.052	695	06/26/2017
88579YAD3	11467	3M		07/08/2014	3,544,000.00	3,571,855.84	3,605,842.80	1.375	814	0.584	425	09/29/2016
58933YAC9	11547	Merck		02/06/2015	3,000,000.00	2,992,830.00	3,001,200.00	1.100	1,090	1.085	914	01/31/2018
594918AG9	11211	Microsoft		05/10/2012	5,000,000.00	5,009,550.00	5,170,600.00	1.625	1,233	0.602	55	09/25/2015
594918AP9	11311	Microsoft		04/30/2013	2,500,000.00	2,498,875.00	2,505,000.00	0.875	1,660	0.931	837	11/15/2017
64952WBK8	11283	New York Life		01/23/2013	2,855,000.00	2,847,177.30	2,872,529.70	1.300	1,741	1.167	821	10/30/2017
68389XAX3	11522	Oracle		12/05/2014	2,500,000.00	2,514,825.00	2,515,975.00	2.250	1,768	2.110	1,529	10/08/2019
68389XAQ8	11576	Oracle		04/13/2015	3,000,000.00	3,048,000.00	3,099,990.00	2.375	1,373	1.459	1,263	01/15/2019
717081DD2	11430	Pfizer Inc		02/24/2014	4,000,000.00	4,005,880.00	4,008,800.00	0.900	1,056	0.823	533	01/15/2017
717081DL4	11515	Pfizer Inc		11/24/2014	3,000,000.00	3,028,620.00	3,016,500.00	2.100	1,633	1.971	1,383	05/15/2019
742718DV8	11352	Procter & Gamble		07/05/2013	1,985,000.00	2,002,269.50	2,011,658.55	1.450	1,137	1.010	380	08/15/2016
742718EG0	11507	Procter & Gamble		11/10/2014	3,000,000.00	3,030,210.00	2,999,490.00	1.900	1,817	1.904	1,553	11/01/2019
89236TAL9	11333	Toyota Motor Credit Corp		05/28/2013	3,000,000.00	3,004,560.00	3,008,190.00	0.800	1,085	0.707	290	05/17/2016
89236TBP9	11472	Toyota Motor Credit Corp		07/21/2014	4,000,000.00	4,016,600.00	4,000,000.00	2.125	1,823	2.125	1,447	07/18/2019
90520EAF8	11493	MUFG UNION BANK		09/30/2014	4,000,000.00	4,002,480.00	3,991,080.00	2.250	1,679	2.301	1,374	05/06/2019
90521APH5	11431	UnionBanc Investments		02/24/2014	4,000,000.00	4,023,960.00	4,068,800.00	1.500	945	0.827	422	09/26/2016
94974BFL9	11362	Wells Fargo & Compnay		07/29/2013	3,000,000.00	3,013,470.00	2,997,120.00	1.250	1,087	1.283	354	07/20/2016
		Subtotal and Average	**126,117,127.27**		**122,602,000.00**	**123,122,790.53**	**123,533,603.78**		**1,265**	**1.219**	**815**	

City of Santa Monica
Portfolio Management
Portfolio Details - Investments
July 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
Supranationals												
45905URG1	11566	IBRD (World Bank)		03/27/2015	2,000,000.00	2,001,820.00	2,001,280.00	0.700	662	0.664	535	01/17/2017
45905URF3	11592	IBRD (World Bank)		05/20/2015	3,000,000.00	3,008,700.00	3,006,030.00	0.900	789	0.806	716	07/17/2017
		Subtotal and Average	**5,013,146.02**		**5,000,000.00**	**5,010,520.00**	**5,007,310.00**		**738**	**0.749**	**644**	
State of California Obligations												
13063CKL3	11459	State of California		06/09/2014	3,000,000.00	3,047,460.00	3,020,790.00	2.250	1,787	2.100	1,369	05/01/2019
13063CSQ4	11583	State of California		04/29/2015	2,500,000.00	2,488,050.00	2,507,050.00	1.800	1,799	1.740	1,705	04/01/2020
91412GSB2	11532	University of California		01/12/2015	1,130,000.00	1,118,688.70	1,127,333.20	1.796	1,631	1.851	1,430	07/01/2019
		Subtotal and Average	**6,654,553.08**		**6,630,000.00**	**6,654,198.70**	**6,655,173.20**		**1,765**	**1.922**	**1,506**	
		Total and Average	**604,758,826.68**		**591,186,500.77**	**591,996,751.00**	**592,015,821.03**		**1,104**	**0.996**	**784**	

City of Santa Monica
Portfolio Management
Activity By Type
July 1, 2015 through July 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							
3133ECHV9	11296	Federal Farm Credit Bank	0.350	07/30/2015	0.00	4,997,550.00	
3133EDQ21	11464	Federal Farm Credit Bank	1.470	07/14/2015	0.00	5,000,000.00	
3133EDQZ8	11474	Federal Farm Credit Bank	1.520	07/23/2015	0.00	2,498,750.00	
3133EE4S6	11615	Federal Farm Credit Bank	1.650	07/29/2015	4,992,250.00	0.00	
313375PT8	11147	Federal Home Loan Bank	0.750	07/30/2015	0.00	2,500,000.00	
3130A2NH5	11471	Federal Home Loan Bank	0.170	07/22/2015	0.00	4,000,000.00	
3130A5VK2	11613	Federal Home Loan Bank	1.575	07/22/2015	4,000,000.00	0.00	
3134G5CY9	11470	Fed Home Loan Mortgage Corp	1.500	07/30/2015	0.00	5,000,000.00	
3134G5CY9	11492	Fed Home Loan Mortgage Corp	1.500	07/30/2015	0.00	2,489,375.00	
3134G7DQ1	11609	Fed Home Loan Mortgage Corp	1.750	07/29/2015	5,445,000.00	0.00	
3134G7HB0	11614	Fed Home Loan Mortgage Corp	2.000	07/30/2015	3,000,000.00	0.00	
		Subtotal			**17,437,250.00**	**26,485,675.00**	**373,186,390.22**
Federal Agency Discount							
313384JT76	11539	Federal Home Loan Bank	0.110	07/29/2015	0.00	4,997,250.00	
		Subtotal			**0.00**	**4,997,250.00**	**30,986,551.39**
Local Agency Investment Funds (Monthly Summary)							
SYS10090	10090	Local Agency Investment Fund	0.320		35,076.51	0.00	
		Subtotal			**35,076.51**	**0.00**	**49,656,167.44**
Columbia Money Market Fund (Monthly Summary)							
		Subtotal					**0.00**
Local Agency Investment Funds - RDA (Monthly Summary)							
		Subtotal					**0.00**
Corporate Bonds							
89233P6J0	11357	Toyota Motor Credit Corp	0.875	07/17/2015	0.00	2,009,720.00	
94974BFE5	11287	Wells Fargo & Compnay	1.500	07/01/2015	0.00	2,032,480.00	
94974BFE5	11443	Wells Fargo & Compnay	1.500	07/01/2015	0.00	4,580,984.86	
94985H5F7	11363	Wells Fargo Bank	0.750	07/20/2015	0.00	2,499,125.00	

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

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
		Subtotal			0.00	11,122,309.86	123,533,603.78
Supranationals							
		Subtotal					5,007,310.00
State of California Obligations							
		Subtotal					6,655,173.20
		Total			17,472,326.51	42,605,234.86	592,015,821.03

The Federal Open Market Committee (Fed) left the target Fed Funds rate unchanged at a range of 0% to 0.25% at its July meeting. The Fed policy statement noted that economic growth has expanded moderately. The pace of job growth and labor utilization rates picked up a bit and growth in household spending was moderate. However, business investment remained soft. Inflation continues to be low reflecting declining energy prices. The Fed statement noted that the Fed continues to believe that economic data indicate that lower interest rates were still appropriate and that it could be patient in deciding when to begin to tighten (raise) the rate. It will do so when it has seen further improvement in the job market and believes inflation is approaching its 2% objective. Fed action is now not expected until at least October 2015, and may not occur until 2016. Second quarter GDP showed an unexpectedly strong increase of 3.9% after tepid growth of just 0.6% in the previous quarter. Most recent economic projections predict annualized growth in the 2.5-3% range for the full year. The June unemployment rate fell to 5.3%, the lowest level since April 2008. The stock market, as measured by the Dow Jones Industrial Average was relatively flat in July after falling about 2% in June.

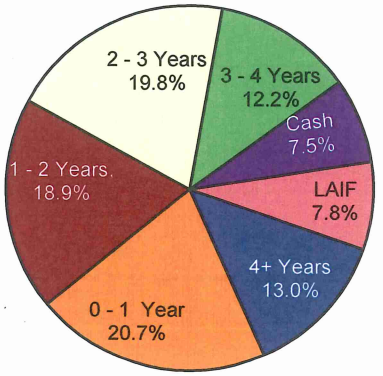
The City's portfolio yield-to-maturity is now showing a consistent, but moderate upward trend. However, interest rates remain somewhat volatile and this volatility is likely to continue over the next several months as the market tries to anticipate Fed action. Overall, modest portfolio yield increases can be anticipated as the new investment strategy is implemented and the RDA situation is completely resolved.

Net investment income on a cash basis in July was $0.6 million, a 65.4% increase from July 2014

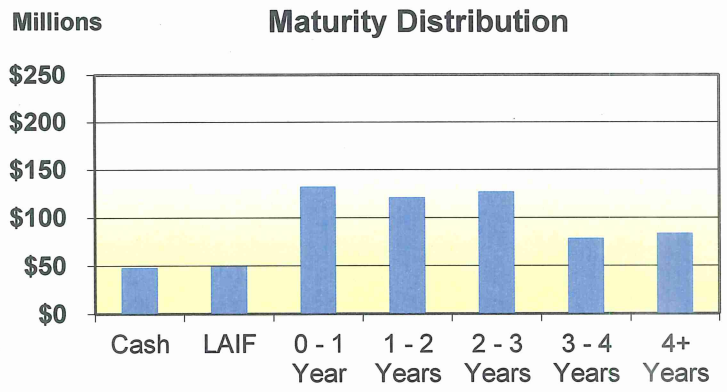
Maturity Distribution

The weighted average days to maturity of the portfolio as of July 31, 2015 is 784 days (2.15 years), a slight increase from June. 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 has become clearer, approximately 55% of the portfolio continues to be held in maturities of 2 years or less (including cash and LAIF balances).

Portfolio Maturities



While interest rates have edged upward 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 into 2016.



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 July 31, 2015, the market value and the book value of the City's pooled investments (excluding cash) are:

$ 591,996,751.00	Market Value
$ 592,015,821.03	Book Value
$ (19,070.03)	

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 July 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 three bonds issued by Berkshire Hathaway Company (BRK) with a total book value of $8,047,720. 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 (1.4%) portion of the City's invested funds. Based on this, staff continues to recommend holding these securities at this time.

The portfolio also holds two bonds issued by 3M Corporation with a combined book value of $8,597,243 (1.5% of total invested funds) that were slightly downgraded by Moody's in February 2015 from Aa2 to Aa3 due to an anticipated increase in the amount of debt in the company's capital structure. This moved the Moody's rating to a level equal to the S&P level of AA-, which is still considered "high quality". Based on this, and the expectations of continued strong operating performance by the company, staff recommends continuing to hold 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
	AA+	Aa1	Yes
High Quality	AA	Aa2	Yes
	AA-	Aa3	Yes
	A+	A1	Yes
Upper Medium Grade	A	A2	Yes
	A-	A3	Yes
	BBB+	Baa1	No
Medium Grade	BBB	Baa2	No
	BBB-	Baa3	No

Portfolio Allocation as of 7/31/15

	Pooled Portfolio (1) (3)	% of Portfolio	Legal/ Policy Limit	In Compliance (Yes/No)
Federal Agency Securities				
Federal Home Loan Bank	$163,628,590.00	25.6%	50.0%	Yes
Federal National Mortgage Association	57,986,696.67	9.1%	50.0%	Yes
Federal Home Loan Mortgage Corporation	120,943,376.67	18.9%	50.0%	Yes
Farmer Mac	8,999,850.00	1.4%	50.0%	Yes
Federal Farm Credit Bank	52,614,428.27	8.2%	50.0%	Yes
Total Federal Agency Securities	$404,172,941.61	63.1%	n/a	Yes
Treasury Bills	$2,990,625.00	0.5%	n/a	Yes
State of CA/UC Obligations	$6,655,173.20	1.0%	n/a	Yes
Corporate Bonds	$123,533,603.78	19.3%	30.0%	Yes
Supranationals	$5,007,310.00	0.8%	30.0%	Yes
Money Market Mutual Funds	$0.00	0.0%	10.0%	Yes
State Local Agency Investment Fund-City	$49,656,167.44	7.8%	$50 million	Yes
Cash (2)	$48,124,171.82	7.5%	None	Yes
Total (Book Value)	**$640,139,992.85**	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 ($102,475.91), Successor Agency RPTTF account ($7,545,281.41), Ocean Park Special Fund ($288,580.24), payroll account ($332,795.74) 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 7/31/15 (Book Value)

Corporate Security	Pooled Portfolio	Credit Rating*	In Compliance (Yes/No)
Microsoft 1.625% maturing 9/25/15	$5,170,600.00	AAA	Yes
JP Morgan Chase 1.1%, maturing 10/15/15	$2,010,960.00	A	Yes
Berkshire Hathaway 0.8% maturing 2/11/16	$2,005,620.00	AA	Yes
IBM 0.45% maturing 5/06/16	$2,075,104.10	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
Berkshire Hathaway 1.9% maturing 1/31/17	$2,043,260.00	AA	Yes
Cisco Systems 1.1% maturing 3/3/17	$5,031,600.00	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
Merck 1.1% maturing 1/31/18	$3,001,200.00	AA	Yes
IBM 1.125% maturing 2/6/18	$2,990,850.00	AA-	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
Cisco Systems 1.65% maturing 6/15/18	$2,506,214.58	AA-	Yes
Johnson & Johnson 1.65% maturing 12/05/18	$2,000,080.00	AAA	Yes
Oracle 2.38% maturing 1/15/19	$3,099,990.00	AA-	Yes
Cisco Systems 2.125% maturing 3/1/19	$2,531,750.00	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	$3,016,500.00	AA	Yes
Bank of New York Mellon 2.2% maturing 5/15/19	$2,011,991.11	A+	Yes
Walt Disney Company 1.85%, maturing 5/30/19	$5,997,459.24	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	$3,998,840.00	AA	Yes
Oracle 2.25% maturing 10/8/19	$2,515,975.00	AA-	Yes
Procter & Gamble 1.9% maturing 11/1/19	$2,999,490.00	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