



Information Item

Date: August 10, 2011

To: Mayor and City Council
From: Carol Swindell, Director of Finance/City Treasurer
Subject: City Monthly Cash and Investment Report for December 2010

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 December 31, 2010.

Discussion

The December 2010 Investment Report highlights changes from November. The value of cash and investments held in the pooled portfolio increased by \$30.8 million in December to \$557.0 million. The increase is primarily due to receipt of the first secured property tax apportionment of the fiscal year from Los Angeles County. The pooled portfolio yield-to-maturity fell four basis points in December to 1.18%, sixty-five (65) basis points lower than in December 2009. Investment earnings for the month were \$0.9 million. Fiscal year-to-date earnings are down 41% from the same period last year reflecting the impact of the record low interest rate environment. Further detail is included in the attached report.

In addition to the pooled portfolio, the City's total cash holdings as of December 31, 2010 included \$37.0 million in Charnock settlement-related funds, \$13.0 million in bond proceeds held in trust with fiscal agents, \$11.8 million in other funds held in trust, and \$57,222 in petty cash/change funds for a total balance of \$618.9 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 of the portfolio. The book values of investments shown in this report are exclusive of amortization/accretion of premiums/discounts. As of December 31, 2010, the market value of the City's portfolio was about \$0.6 million less than the book value.

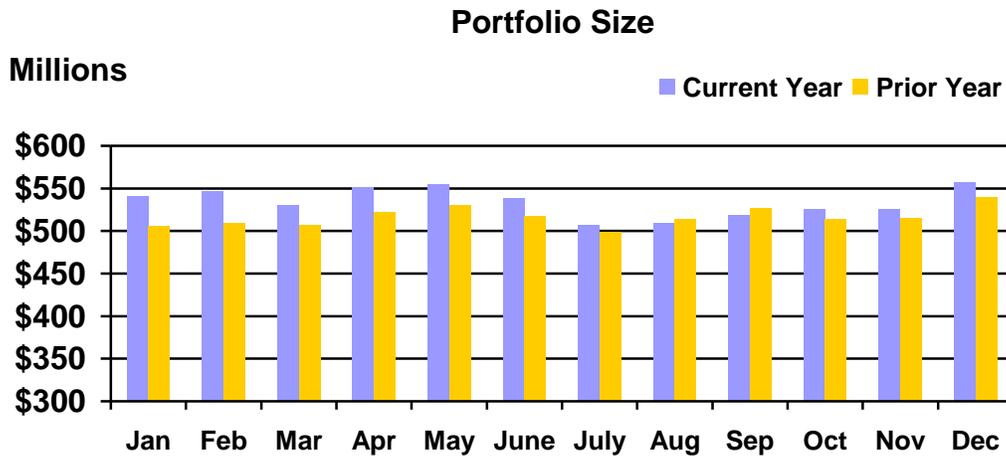
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer for the month of December 31 2010.

Prepared by: David Carr, Budget Administrator

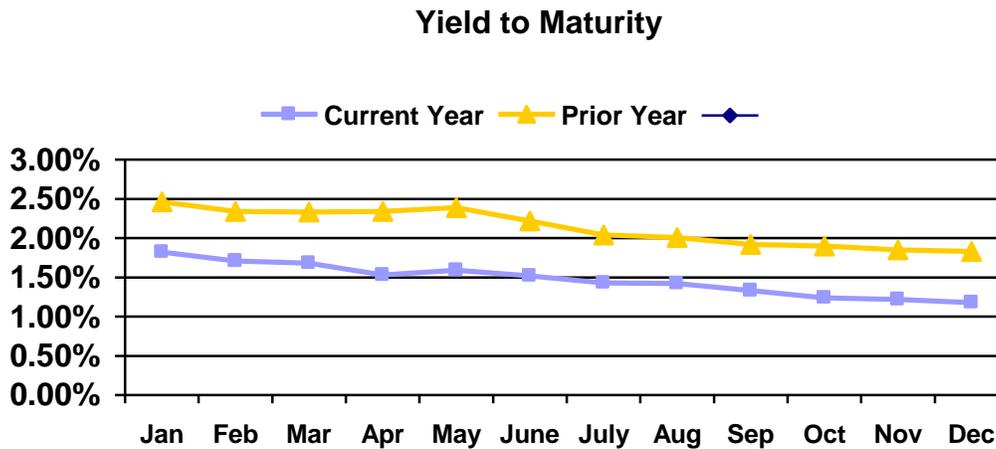
Attachments: 1 – Investment Highlights
2 – Investment Report

Investment Highlights

December 31, 2010

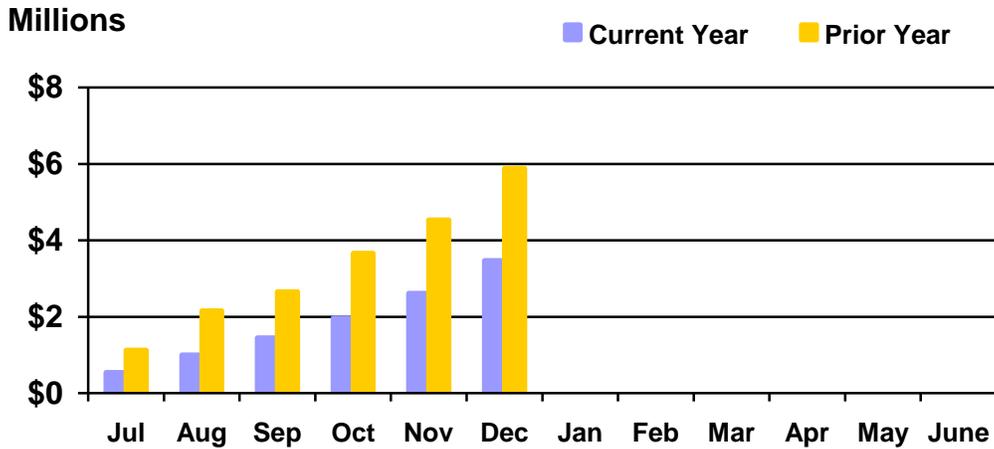


- As of December 31, the portfolio size is \$557 million, \$30.8 million more than in November, and \$17 million more than in December 2009



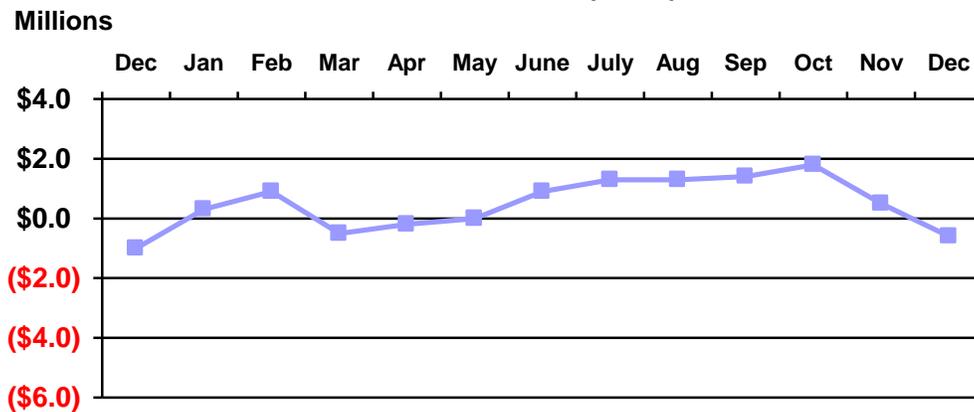
- As of December 31, yield to maturity is 1.18 percent.
- Decrease of four basis points from November and sixty-five basis points from one year earlier.

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



- December year-to-date earnings are 41% less than in the prior year.

Unrealized Gain/(Loss)



- The unrealized loss of \$0.6 million reported as of December 31, 2010 is the difference between market value and the unamortized book value (purchase price).



Investment Report

December 2010

Prepared by:
Carol Swindell, Director of Finance/City Treasurer
David R. Carr, Budget Administrator

**City of Santa Monica
Report of Public Monies Held by the City Treasurer
As of December 31, 2010**

Petty Cash/Change Funds \$57,222.00

Pooled Portfolio

Bank of America (1)	
General Account	\$1,034,730.67
Columbia Money Market Sweep Account	\$9,232,940.54
Total Bank of America	<u>\$10,267,671.21</u>
Bank of New York (BNY)	
Corporate Bonds - FDIC Insured	\$65,846,260.00
Federal Agencies Securities	\$389,632,547.09
Total Bank of New York	<u>\$455,478,807.09</u>
State of California Local Agency Investment Fund - RDA	\$42,364,602.23
State of California Local Agency Investment Fund - City	<u>\$48,916,183.86</u>

Total Pooled Portfolio \$557,027,264.39

Restricted Cash/Investments Held in Trust

Bond Proceeds	
Union Bank-Earthquake Recovery Redevelopment 2006	
Tax Allocation Refunding Bonds Series A & B	\$1,276,036.40
BNY-Library Improvement Project 2002 Series	\$316,406.37
BNY-Ocean Park Redevelopment Project 2002 Refunding	\$2,693,182.34
BNY-Parking Authority Lease Revenue Bonds 2002 Refunding	\$125,719.59
BNY-Public Safety Facility Bonds 2002 Series	\$1,610,839.38
BNY-Public Safety Facility Bonds 2009 Refunding	\$1,289,321.99
U.S. Bank-Wastewater Enterprise Revenue Bonds-1993 Refunding	\$211,262.50
U.S. Bank-Wastewater Enterprise Revenue Bonds-2005 Refunding	\$1,875,107.25
Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds	<u>\$3,621,132.23</u>

Total Restricted Cash/Investments Held in Trust \$13,019,008.05

Charnock Settlement Funds

Union Bank (December 2006 Settlement)	
Money Market Funds	\$21,152,362.45
Federal Agencies Securities	\$15,860,755.74
Corporate Bonds	\$0.00
Total Union Bank (December 2006 Settlement)	<u>\$37,013,118.19</u>

Total Charnock Settlement Funds \$37,013,118.19

Other Restricted Funds/Funds Held in Trust

Cemetery Perpetual Care Fund (3)	\$7,694,211.00 *
Mausoleum Perpetual Care Fund (3)	\$829,855.00 *
HUD Depository Account (4)	\$3,133,939.53 *
Public Agency Family Self Sufficiency Program (2)	<u>\$145,863.70 *</u>

Total Other Funds Held in Trust \$11,803,869.23

GRAND TOTAL \$618,920,481.86

City of Santa Monica
Report of Public Monies Held by the City Treasurer
As of December 31, 2010

- (1) This is the actual bank account balance as of 12/31/10. It only reflects 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. Redevelopment Agency, Housing Authority, and Parking Authority Funds included in totals.
- (2) The City of Santa Monica Housing Authority administers the Family Self Sufficiency Program. An escrow account is set up for each family in the program. The Housing Authority maintains and releases the escrow funds as required by HUD regulations.
- (3) The Cemetery Perpetual Care Funds and the Mausoleum Perpetual Care Funds are held in trust by Charles Schwab & Company, Inc. and administered by the investment firm RNC Genter Capital Management Company. Market value is shown since a large portion of the portfolio is in equities.
- (4) HUD Depository account is used to receive monthly housing assistance payments from HUD.

**City of Santa Monica
Cash Receipts, Disbursements and Cash Balances*
December 30, 2010**

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

Cash and Investments - November 30, 2010	526,155,222.38
Receipts	80,984,482.51
Disbursements	(50,112,440.50)
Cash and Investments - December 31, 2010	\$557,027,264.39

* Pooled portfolio only. Excludes certain investments held in trust by third parties such as bond proceeds, perpetual care funds, and Charnock settlement funds.

Carol Swindell
Director of Finance/City Treasurer

Overview

As of December 31, 2010, total City cash and investments were \$618.9 million, a \$34.3 million increase from November. The increase is primarily in the pooled portfolio (\$30.8 million) and mostly reflects the first significant property tax payment of the fiscal year from Los Angeles County. Additionally, Restricted Cash/Investments Held in Trust increased by \$5.2 million due to the transfer of funds to bond trustees for payment of January 1, 2010 debt service payments. Charnock settlement funds decreased by \$3.1 million reflecting project expenditures.

Petty Cash	\$	57,222.00
Pooled Investment Portfolio	\$	557,027,264.39
Restricted Cash/Investment Held in Trust	\$	13,019,008.05
Charnock Settlement Funds	\$	37,013,118.19
Other Funds Held in Trust	\$	11,803,869.23
Total	\$	<u>618,920,481.86</u>

Definitions

- Basis Point – One hundredth of one percent (.01%)
- Book (Reported) Value – The price paid for the security at purchase.
- Bullets – A security with a fixed coupon or interest rate that cannot be redeemed by the issuer before the maturity date.
- Callable Securities – A security that can be redeemed by the issuer before the maturity date.
- Duration – A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a security. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.
- Market Value – The price at which a security is currently trading and could be presumably bought or sold.
- Par Value – The full face value of the security.
- Rebalancing – Strategy whereby low yielding securities are sold at a loss with the proceeds used to purchase higher yielding securities.
- TLGP (Temporary Loan Guarantee Program) – Federal program through which the Federal Deposit Insurance Corporation guarantees repayment of certain bonds issued by financial institutions.
- Unrealized Gain/Loss – Difference between the current market value and purchase price (book value) of a security.

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

Pooled Investment Portfolio

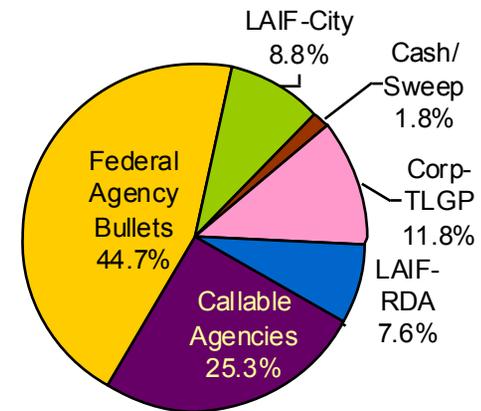
As of December 31, 2010, the portfolio size (unamortized book value/purchase price) of City pooled cash and investments is \$557 million, a \$30.8 million increase from December. As noted above, the increase reflects the first secured tax apportionments from Los Angeles County. Since the City holds most 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. Thirteen investments were made during the month (\$77.1 million), five investments matured (\$34.6 million), and two investments were called (\$10 million). No investments were sold. The net total City and RDA State Local Agency Investment Fund (LAIF) account balances decreased by \$4 million in December. The balance of the money market sweep account on December 31 was \$9.2 million.

Details of the main portfolio follow.

Portfolio Composition

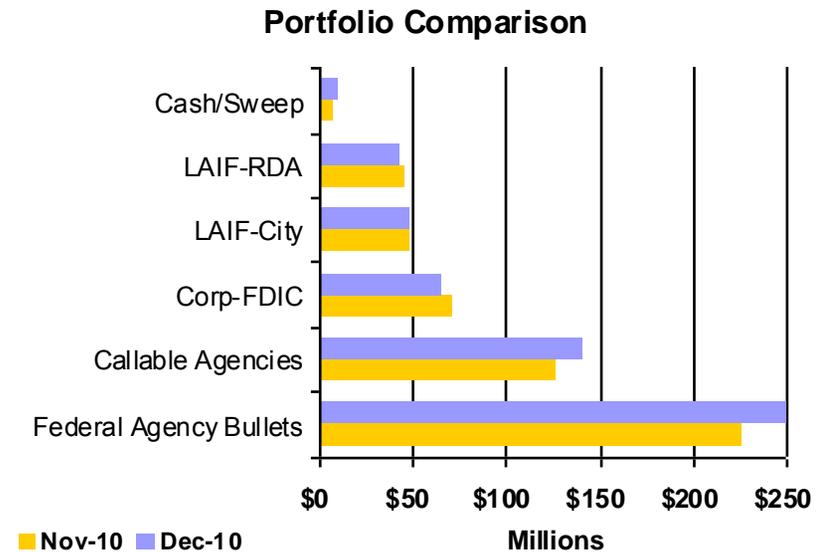
The portfolio is well-diversified and is in compliance with the City’s Investment Policy and applicable provisions of the State Government Code. The largest sector of the portfolio is Federal Agency Securities (70%). The remaining 30% is invested in State Local Agency Investment Fund accounts for the City (8.8%) and the RDA (7.6%); corporate notes (11.8%); all of which are currently FDIC insured bonds (AAA rated) issued under the FDIC’s Temporary Liquidity Guarantee Program (TLGP); and cash including the money market sweep account (1.8%). This portfolio mix allows the City to maintain its primary investment objectives of safety and liquidity while attaining a rate of return consistent with the City’s Investment Policy and Investment Plan.

Portfolio Composition



Portfolio Comparison

The chart to the right shows the overall structure of the portfolio by type of investment compared to last month. There were no significant changes in December. The City continues to hold a major balance in short term funds as interest rates remain at historic lows, and LAIF still a significant benefit over other types of investments with maturities one year and under. The bond market, financial and economic conditions, and portfolio structure are continuously evaluated when making investment decisions.



Rebalancing of Portfolio

No portfolio rebalancing occurred in December due to the low interest rate environment. However, when rates begin to consistently rise again, rebalancing opportunities will be evaluated.

**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
December 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Term	YTM 365	Days to Maturity	Maturity Date
Treasury Discount Securities												
Subtotal and Average			3,483,796.94									
Federal Agency Coupon												
3133XWKG3	10918	Federal Home Loan Bank		01/07/2010	5,000,000.00	5,000,050.00	4,996,500.00	0.375	364	0.445	5	01/06/2011
3137EABW8	10869	Fed Home Loan Mortgage Corp		05/22/2009	3,000,000.00	3,000,330.00	3,030,120.00	1.500	595	0.875	6	01/07/2011
31331JCY7	10939	Federal Farm Credit Bank		02/17/2010	4,000,000.00	4,000,520.00	4,000,000.00	0.350	349	0.350	31	02/01/2011
31331YWG1	10817	Federal Farm Credit Bank		01/22/2009	5,000,000.00	5,023,100.00	5,144,150.00	3.000	770	1.607	61	03/03/2011
3133XPNY6	10751	Federal Home Loan Bank		05/29/2008	3,000,000.00	3,014,760.00	2,948,160.00	2.875	1,016	3.521	69	03/11/2011
31359MM26	10750	Federal National Mort Assoc		05/29/2008	3,000,000.00	3,042,360.00	3,134,760.00	5.125	1,051	3.470	104	04/15/2011
31331YG46	10865	Federal Farm Credit Bank		05/22/2009	5,000,000.00	5,036,300.00	5,145,915.57	2.625	699	1.080	110	04/21/2011
3128X7MN1	10810	Fed Home Loan Mortgage Corp		01/15/2009	5,000,000.00	5,055,750.00	5,206,700.00	3.500	840	1.664	124	05/05/2011
3133XFJY3	10699	Federal Home Loan Bank		01/18/2008	5,000,000.00	5,105,300.00	5,335,350.00	5.250	1,239	3.150	160	06/10/2011
3133XR4U1	10806	Federal Home Loan Bank		01/09/2009	5,000,000.00	5,057,400.00	5,174,150.00	3.125	882	1.650	160	06/10/2011
3133XTXH4	10894	Federal Home Loan Bank		08/26/2009	4,000,000.00	4,029,280.00	4,028,360.00	1.625	700	1.250	207	07/27/2011
31331GDC0	10877	Federal Farm Credit Bank		07/17/2009	5,000,000.00	5,125,500.00	5,253,302.16	3.600	819	1.299	286	10/14/2011
3133XV6K2	10903	Federal Home Loan Bank		10/14/2009	5,000,000.00	5,030,500.00	5,011,850.00	1.150	730	1.030	286	10/14/2011
31331JBL6	10921	Federal Farm Credit Bank		01/14/2010	5,000,000.00	5,035,250.00	5,003,900.00	1.100	728	1.060	376	01/12/2012
3133XWFP9	10930	Federal Home Loan Bank		02/04/2010	1,205,000.00	1,213,398.85	1,205,554.30	1.050	750	1.025	419	02/24/2012
3133XYGF7	10965	Federal Home Loan Bank		06/04/2010	5,000,000.00	5,032,200.00	5,011,150.00	1.000	634	0.866	423	02/28/2012
3133XWW47	11003	Federal Home Loan Bank		10/06/2010	2,000,000.00	2,015,980.00	2,023,407.50	1.125	520	0.360	433	03/09/2012
31398AH54	11028	Federal National Mort Assoc		12/09/2010	5,000,000.00	5,032,812.50	5,041,177.78	1.000	482	0.510	459	04/04/2012
31331JJW4	10949	Federal Farm Credit Bank		04/15/2010	2,105,000.00	2,109,652.05	2,105,000.00	1.230	721	1.230	460	04/05/2012
31331GVL0	10860	Federal Farm Credit Bank		05/07/2009	5,000,000.00	5,092,400.00	5,000,000.00	1.875	1,096	1.875	492	05/07/2012
3133MNVV0	10814	Federal Home Loan Bank		01/16/2009	5,000,000.00	5,357,812.50	5,620,170.41	5.750	1,212	1.880	497	05/12/2012
3133XWKU5	10980	Federal Home Loan Bank		07/29/2010	5,000,000.00	5,061,800.00	5,058,750.00	1.375	680	0.737	524	06/08/2012
3133XPP68	10946	Federal Home Loan Bank		03/26/2010	5,000,000.00	5,054,850.00	4,990,800.00	1.250	854	1.331	573	07/27/2012
3133.XWXJ3	10938	Federal Home Loan Bank		02/16/2010	4,000,000.00	4,043,960.00	4,000,000.00	1.250	895	1.250	576	07/30/2012
3133XWQ36	10999	Federal Home Loan Bank		09/30/2010	2,500,000.00	2,532,350.00	2,545,129.17	1.375	669	0.514	576	07/30/2012
31398AYM8	10911	Federal National Mort Assoc		12/04/2009	5,000,000.00	5,093,400.00	5,066,400.00	1.750	980	1.245	587	08/10/2012
3133XUE41	10906	Federal Home Loan Bank		11/19/2009	5,000,000.00	5,095,900.00	5,056,600.00	1.750	1,007	1.337	599	08/22/2012
3134G1GQ1	10981	Fed Home Loan Mortgage Corp		08/13/2010	2,500,000.00	2,516,525.00	2,514,900.00	1.000	746	0.668	605	08/28/2012
3133XUK93	10890	Federal Home Loan Bank		08/19/2009	5,000,000.00	5,118,650.00	5,007,335.75	2.000	1,122	1.951	622	09/14/2012
3133XUK93	10995	Federal Home Loan Bank		09/30/2010	2,500,000.00	2,559,325.00	2,573,422.22	2.000	715	0.534	622	09/14/2012
3134G1VG6	11001	Fed Home Loan Mortgage Corp		10/06/2010	3,000,000.00	2,998,125.00	3,006,600.00	0.625	755	0.509	668	10/30/2012
3136FPUC9	11015	Federal National Mort Assoc		11/23/2010	4,000,000.00	3,982,200.00	3,995,757.78	0.500	707	0.572	668	10/30/2012
3134G1WT7	11012	Fed Home Loan Mortgage Corp		11/16/2010	5,000,000.00	4,983,950.00	4,991,650.00	0.515	741	0.612	695	11/26/2012

Portfolio INVT
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**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
December 31, 2010**

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												
3134G1WT7	11026	Fed Home Loan Mortgage Corp		12/08/2010	5,000,000.00	4,983,950.00	4,988,858.33	0.515	719	0.638	695	11/26/2012
3136FPM61	11029	Federal National Mort Assoc		12/28/2010	5,000,000.00	4,988,600.00	5,000,000.00	0.875	731	0.875	727	12/28/2012
3133XW7L7	11007	Federal Home Loan Bank		11/04/2010	4,000,000.00	4,063,480.00	4,110,600.00	1.500	804	0.441	746	01/16/2013
3136FJ3M1	10928	Federal National Mort Assoc		02/11/2010	2,500,000.00	2,501,450.00	2,500,000.00	1.000	1,096	1.000	772	02/11/2013
31331JBV4	10929	Federal Farm Credit Bank		02/04/2010	2,500,000.00	2,546,925.00	2,502,800.00	1.750	1,113	1.709	782	02/21/2013
31359MQV8	10909	Federal National Mort Assoc		12/03/2009	5,000,000.00	5,415,350.00	5,496,750.00	4.750	1,176	1.570	782	02/21/2013
3133XWX87	10945	Federal Home Loan Bank		03/23/2010	2,000,000.00	2,037,340.00	2,003,100.00	1.750	1,081	1.696	797	03/08/2013
3136FMBK9	10940	Federal National Mort Assoc		03/15/2010	5,000,000.00	5,002,650.00	5,000,000.00	1.000	1,096	1.000	804	03/15/2013
31398AH70	10943	Federal National Mort Assoc		03/15/2010	5,000,000.00	5,012,400.00	5,000,000.00	1.800	1,096	1.800	804	03/15/2013
3128X8TZ5	10844	Fed Home Loan Mortgage Corp		04/08/2009	5,000,000.00	5,027,550.00	5,000,000.00	2.500	1,461	2.500	828	04/08/2013
31398AQ54	10953	Federal National Mort Assoc		05/06/2010	5,000,000.00	5,022,350.00	4,996,250.00	1.875	1,096	1.901	856	05/06/2013
3133XR5U0	10901	Federal Home Loan Bank		10/02/2009	5,000,000.00	5,334,150.00	5,312,250.00	3.750	1,351	1.990	895	06/14/2013
3133XYHDO	10962	Federal Home Loan Bank		05/28/2010	5,000,000.00	5,085,400.00	4,995,200.00	1.625	1,113	1.657	895	06/14/2013
3134G1US1	10994	Fed Home Loan Mortgage Corp		09/27/2010	5,000,000.00	4,996,250.00	5,000,000.00	1.000	1,004	1.000	908	06/27/2013
313371AR7	10996	Federal Home Loan Bank		10/01/2010	2,500,000.00	2,488,625.00	2,501,475.00	0.750	1,001	0.730	909	06/28/2013
3134G1HW7	10972	Fed Home Loan Mortgage Corp		06/28/2010	5,000,000.00	5,028,400.00	5,000,000.00	1.625	1,096	1.625	909	06/28/2013
3134G1JG0	10973	Fed Home Loan Mortgage Corp		07/08/2010	5,000,000.00	5,006,650.00	5,000,000.00	1.000	1,096	1.000	919	07/08/2013
3133XWP29	10922	Federal Home Loan Bank		01/26/2010	5,000,000.00	5,004,900.00	5,000,000.00	2.050	1,277	2.050	937	07/26/2013
3136FJ4C2	10924	Federal National Mort Assoc		02/23/2010	5,000,000.00	5,067,450.00	5,000,000.00	2.000	1,277	2.000	965	08/23/2013
313370SQ2	10988	Federal Home Loan Bank		08/30/2010	5,000,000.00	4,998,250.00	5,000,000.00	0.500	1,094	0.500	970	08/28/2013
3133XUPZ0	10942	Federal Home Loan Bank		03/05/2010	3,000,000.00	3,126,420.00	3,076,230.00	2.625	1,288	1.876	986	09/13/2013
313370LB2	10982	Federal Home Loan Bank		08/13/2010	2,500,000.00	2,497,800.00	2,503,127.78	1.000	1,127	0.962	986	09/13/2013
31331JJ38	10993	Federal Farm Credit Bank		09/23/2010	5,000,000.00	4,993,650.00	5,000,000.00	1.100	1,096	1.100	996	09/23/2013
3137EACL1	11002	Fed Home Loan Mortgage Corp		10/06/2010	2,000,000.00	1,989,540.00	2,007,596.11	0.875	1,118	0.787	1,031	10/28/2013
3137EACL1	11011	Fed Home Loan Mortgage Corp		11/16/2010	4,000,000.00	3,979,080.00	4,015,561.11	0.875	1,077	0.814	1,031	10/28/2013
3137EACL1	11024	Fed Home Loan Mortgage Corp		12/08/2010	5,000,000.00	4,973,850.00	5,001,125.00	0.875	1,055	0.957	1,031	10/28/2013
3136FPEX1	10989	Federal National Mort Assoc		09/17/2010	2,500,000.00	2,492,150.00	2,500,000.00	1.125	1,187	1.125	1,081	12/17/2013
313370NL8	10990	Federal Home Loan Bank		08/27/2010	2,500,000.00	2,487,925.00	2,500,650.00	1.000	1,218	0.992	1,091	12/27/2013
31398AVD1	10914	Federal National Mort Assoc		12/22/2009	5,000,000.00	5,224,850.00	5,092,600.00	2.750	1,506	2.276	1,131	02/05/2014
31331GNA3	10937	Federal Farm Credit Bank		02/12/2010	4,000,000.00	4,198,800.00	4,117,520.00	3.000	1,461	2.228	1,138	02/12/2014
31398AVZ2	11016	Federal National Mort Assoc		11/23/2010	3,000,000.00	3,135,630.00	3,191,121.67	2.750	1,206	0.952	1,167	03/13/2014
3133715D4	11014	Federal Home Loan Bank		11/23/2010	5,000,000.00	4,982,250.00	5,009,357.64	1.375	1,228	1.375	1,189	04/04/2014
31398AXB3	10852	Federal National Mort Assoc		05/05/2009	5,000,000.00	5,038,850.00	5,000,000.00	2.800	1,826	2.800	1,220	05/05/2014
3133XWE70	11008	Federal Home Loan Bank		11/04/2010	4,000,000.00	4,152,960.00	4,237,120.00	2.500	1,317	0.829	1,259	06/13/2014
3133722S2	11025	Federal Home Loan Bank		12/23/2010	4,300,000.00	4,306,106.00	4,300,000.00	1.000	1,278	1.000	1,269	06/23/2014
313371YA8	11018	Federal Home Loan Bank		12/27/2010	2,500,000.00	2,470,575.00	2,500,000.00	1.200	1,278	1.200	1,273	06/27/2014

Portfolio INVT
CC

**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
December 31, 2010**

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												
313371YB6	11022	Federal Home Loan Bank		12/23/2010	2,500,000.00	2,470,400.00	2,500,000.00	1.300	1,370	1.300	1,361	09/23/2014
313370RB6	10985	Federal Home Loan Bank		08/26/2010	4,000,000.00	3,986,120.00	4,000,000.00	1.000	1,553	1.000	1,425	11/26/2014
3136FPZ83	11033	Federal National Mort Assoc		12/30/2010	5,000,000.00	5,010,300.00	5,000,000.00	2.000	1,461	2.000	1,459	12/30/2014
3136FMXY5	10964	Federal National Mort Assoc		06/15/2010	5,000,000.00	5,034,000.00	5,000,000.00	2.000	1,826	2.000	1,626	06/15/2015
3136FM3T9	10977	Federal National Mort Assoc		07/28/2010	2,500,000.00	2,499,218.75	2,500,000.00	1.550	1,826	1.550	1,669	07/28/2015
3136FM2C7	10975	Federal National Mort Assoc		08/04/2010	5,000,000.00	5,006,350.00	5,000,000.00	1.875	1,826	1.875	1,676	08/04/2015
313370RQ3	10984	Federal Home Loan Bank		09/10/2010	4,000,000.00	3,923,240.00	4,000,000.00	1.850	1,826	1.850	1,713	09/10/2015
3136FPKK2	10991	Federal National Mort Assoc		09/28/2010	5,000,000.00	4,982,100.00	5,000,000.00	1.000	1,826	1.000	1,731	09/28/2015
3136FPQC4	10998	Federal National Mort Assoc		10/15/2010	5,000,000.00	4,920,550.00	5,000,000.00	1.250	1,826	1.250	1,748	10/15/2015
3134G1WL4	11000	Fed Home Loan Mortgage Corp		10/26/2010	3,000,000.00	2,956,080.00	3,000,000.00	1.000	1,826	1.000	1,759	10/26/2015
31337N93	11010	Federal Home Loan Bank		11/23/2010	4,000,000.00	3,858,920.00	4,000,000.00	1.700	1,826	1.700	1,787	11/23/2015
313371KF2	11009	Federal Home Loan Bank		11/24/2010	4,000,000.00	3,903,520.00	4,000,000.00	1.050	1,826	1.050	1,788	11/24/2015
3136FPB22	11013	Federal National Mort Assoc		11/30/2010	2,500,000.00	2,494,425.00	2,500,000.00	2.000	1,826	2.000	1,794	11/30/2015
31331J4J9	11020	Federal Farm Credit Bank		12/07/2010	2,000,000.00	1,960,120.00	2,000,000.00	1.740	1,826	1.740	1,801	12/07/2015
3136FPR66	11027	Federal National Mort Assoc		12/30/2010	5,000,000.00	4,979,350.00	5,000,000.00	2.000	1,826	2.000	1,824	12/30/2015
Subtotal and Average			329,961,685.80		342,110,000.00	345,098,940.65	346,186,315.28		1,124	1.387	846	
Federal Agency Discount												
313384AF6	11032	Federal Home Loan Bank		12/20/2010	12,000,000.00	12,000,000.00	11,999,830.00	0.030	17	0.030	5	01/06/2011
313384AP4	11031	Federal Home Loan Bank		12/20/2010	12,000,000.00	11,999,760.00	11,999,333.33	0.080	25	0.081	13	01/14/2011
313384CA5	11017	Federal Home Loan Bank		11/23/2010	5,000,000.00	4,999,500.00	4,998,247.92	0.145	87	0.147	48	02/18/2011
313588GK5	10967	Federal National Mort Assoc		06/10/2010	7,000,000.00	6,995,310.00	6,967,978.89	0.460	358	0.475	153	06/03/2011
313396HD8	10997	Fed Home Loan Mortgage Corp		09/30/2010	2,500,000.00	2,498,125.00	2,495,966.67	0.220	264	0.226	171	06/21/2011
313384PV5	11021	Federal Home Loan Bank		11/30/2010	5,000,000.00	4,988,550.00	4,984,875.00	0.300	363	0.309	331	11/28/2011
Subtotal and Average			32,768,910.20		43,500,000.00	43,481,245.00	43,446,231.81		136	0.172	83	
Local Agency Investment Funds												
SYS10090	10090	Local Agency Investment Fund			48,916,183.86	48,916,183.86	48,916,183.86	0.462	1	0.462	1	
Subtotal and Average			48,916,183.86		48,916,183.86	48,916,183.86	48,916,183.86		1	0.462	1	
Columbia Money Market Fund												
SYS10091	10091	Columbia Money Market Reserves		09/15/2006	9,232,940.54	9,232,940.54	9,232,940.54	0.010	1	0.010	1	
Subtotal and Average			11,212,821.35		9,232,940.54	9,232,940.54	9,232,940.54		1	0.010	1	

**City of Santa Monica
Portfolio Management
Activity By Type
December 1, 2010 through December 31, 2010**

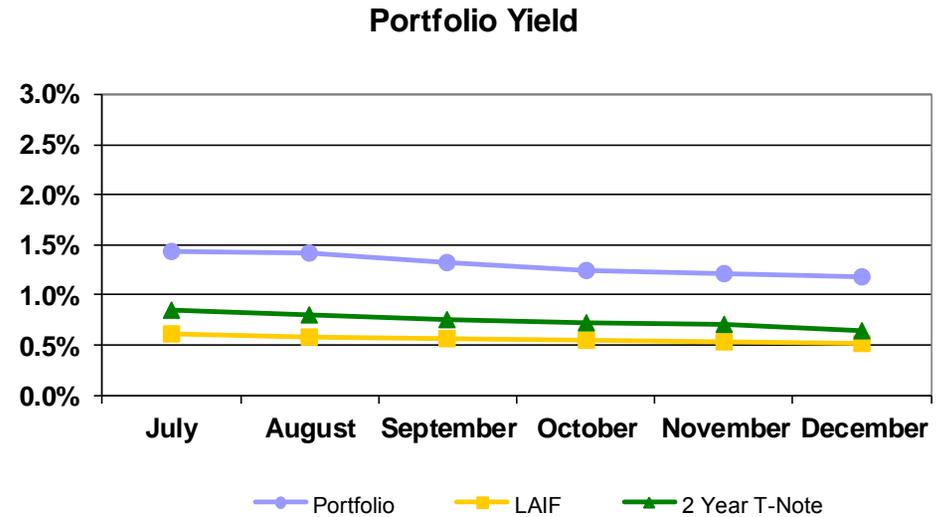
CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Treasury Discount Securities							
912795X55	11030	Treasury Bill	0.085	12/21/2010	11,999,745.00	0.00	
912795X55	11030			12/30/2010	0.00	11,999,745.00	
Subtotal					11,999,745.00	11,999,745.00	0.00
Federal Agency Coupon							
31331TNJ6	10730	Federal Farm Credit Bank	4.350	12/17/2010	0.00	5,206,000.00	
31331J4J9	11020	Federal Farm Credit Bank	1.740	12/07/2010	2,000,000.00	0.00	
313371YA8	11018	Federal Home Loan Bank	1.200	12/27/2010	2,500,000.00	0.00	
313371YB6	11022	Federal Home Loan Bank	1.300	12/23/2010	2,500,000.00	0.00	
3133722S2	11025	Federal Home Loan Bank	1.000	12/23/2010	4,300,000.00	0.00	
3134G1EN0	10963	Fed Home Loan Mortgage Corp	1.500	12/07/2010	0.00	5,000,000.00	
3134G1GU2	10968	Fed Home Loan Mortgage Corp	2.250	12/30/2010	0.00	5,000,000.00	
3137EACL1	11024	Fed Home Loan Mortgage Corp	0.875	12/08/2010	4,988,000.00	0.00	
3134G1WT7	11026	Fed Home Loan Mortgage Corp	0.515	12/08/2010	4,988,000.00	0.00	
3136FPR66	11027	Federal National Mort Assoc	2.000	12/30/2010	5,000,000.00	0.00	
31398AH54	11028	Federal National Mort Assoc	1.000	12/09/2010	5,032,150.00	0.00	
3136FPM61	11029	Federal National Mort Assoc	0.875	12/28/2010	5,000,000.00	0.00	
3136FPZ83	11033	Federal National Mort Assoc	2.000	12/30/2010	5,000,000.00	0.00	
Subtotal					41,308,150.00	15,206,000.00	346,186,315.28
Federal Agency Discount							
313385R65	11006	Federal Home Loan Bank	0.150	12/02/2010	0.00	7,498,937.50	
313385U20	11019	Federal Home Loan Bank	0.140	12/22/2010	0.00	2,499,786.11	
313384AP4	11031	Federal Home Loan Bank	0.080	12/20/2010	11,999,333.33	0.00	
313384AF6	11032	Federal Home Loan Bank	0.030	12/20/2010	11,999,830.00	0.00	
313397U74	11023	Fed Home Loan Mortgage Corp	0.150	12/27/2010	0.00	2,499,718.75	
Subtotal					23,999,163.33	12,498,442.36	43,446,231.81
Local Agency Investment Funds (Monthly Summary)							
Subtotal							48,916,183.86
Columbia Money Market Fund (Monthly Summary)							
SYS10091	10091	Columbia Money Market Reserves	0.010		46,081,468.61	43,650,478.93	
Subtotal					46,081,468.61	43,650,478.93	9,232,940.54

City of Santa Monica
Portfolio Management
Activity By Type
December 1, 2010 through December 31, 2010

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
Local Agency Investment Funds - RDA (Monthly Summary)							
SYS10092	10092	LAIF - RDA	0.462		0.00	4,000,000.00	
		Subtotal			0.00	4,000,000.00	42,364,602.23
Corporate Bonds							
481247AD6	10793	JP Morgan Chase	2.625	12/01/2010	0.00	5,088,900.00	
		Subtotal			0.00	5,088,900.00	65,846,260.00
		Total			123,388,526.94	92,443,566.29	555,992,533.72

Portfolio Yield

The portfolio yield-to-maturity was 1.18% as of December 31, 2010, down four (4) basis points from November and down sixty-five (65) basis points from December 2009. This is the eighteenth month in the last nineteen where the yield declined. The extended record low interest rate environment continues to affect portfolio returns. This month's yield is three hundred ninety-two (392) basis points below the most recent high mark of 5.1% in September 2007 and is at the lowest point for which records are available. 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.



Interest rates in the two to five year maturity range rose sharply in December for the second consecutive month after seven months of decreases, but remain still near historically low levels. The month-end two year CMT increased sixteen (16) basis points in December, but still is forty-one (41) basis points lower than in March 2010, when the seven month decline began. The twelve month moving average of the CMT fell by six (6) basis points and is four hundred fifteen (415) basis points off its February 2007 high. Rates are now expected to remain relatively low through at least the middle of 2011 and possibly beyond. LAIF rates also continue to reflect the low interest rate environment. The twelve month moving average LAIF yield decreased by one (1) basis points to 0.52% in December and has now declined for thirty-eight consecutive months. The monthly LAIF yield for December was 0.46%, only one basis point above the record low of the previous month.

At its December, the Federal Open Market Committee (Fed) left the target Fed Funds rate remains unchanged at a range of 0% to 0.25%. Fed policy statements have indicated that they intend to take further action to keep rates at low levels for an extended time period. The economy continues to show positive signs in most areas, but some concerns regarding the long term health of the economy continue. Although the housing market had appeared to have bottomed out, renewed slowing has recurred as prices continue to show year over year decreases, and foreclosures remain very high. Unemployment continues to hinder economic growth (the December rate was 9.4%) and job creation remains relatively weak. Third quarter GDP growth

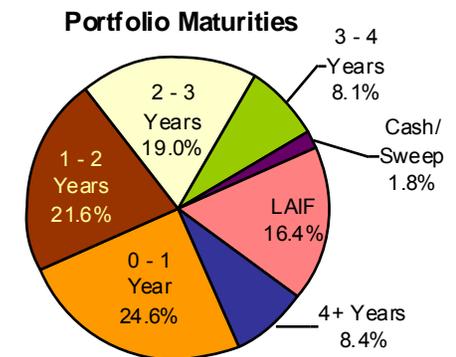
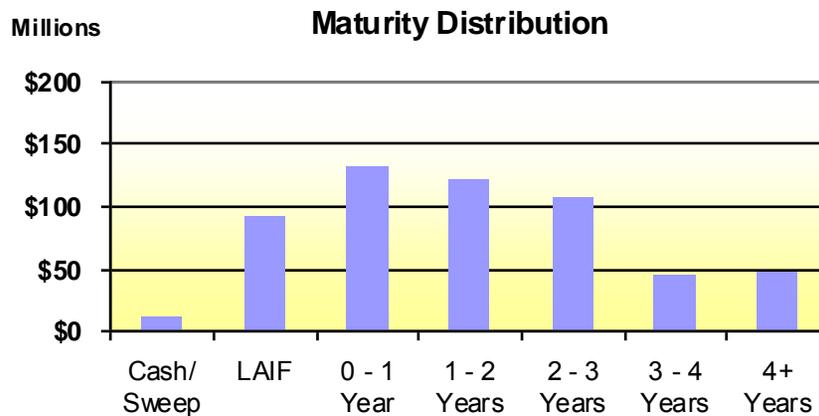
was a modest 2.6%, and fourth quarter GDP growth was below expectations. The stock market has been strong for the last few months. The Dow Jones Industrial Average increased about 5% in December and was up nearly 16% since the end of August. The expected crisis in the commercial real estate market has not materialized. Most economists now expect mild to moderate economic growth to continue for the remainder of 2011 and into 2012.

The City’s portfolio yield-to-maturity has decreased significantly over the last three years as interest rates have reached historic lows resulting in many investments being called and reinvested at lower rates. Overall, the yield will likely continue to decrease over the next few months, but the market continues to be volatile, so yields could vary on a month-to-month basis. More bonds will be called in the next few months as interest rates are expected to remain near historic lows.

Investment earnings in December were \$0.9 million. Fiscal year-to-date earnings are down 41% from the same period last year.

Maturity Distribution

The weighted average days to maturity as of December 31, 2010 is 581 days (1.59 years), ten days more than the prior month. As noted elsewhere in this report, the current volatile and low interest rate environment continues to result in bonds being called, and the portfolio’s average days to maturity may vary over the next several months. Additionally, investments are being made primarily in maturities of three years or less as rates are not expected to begin a period of significant increase until at least six to twelve months in the future.



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 value and market 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 December 31, 2010, the market value and the book value of the City’s pooled investments (excluding cash) are:

Market Value	\$ 555,433,182.28
Book Value (purchase price)	555,992,533.72
Unrealized Gain/(Loss)	\$ (559,351.44)

Charnock Settlement

All remaining restricted settlement funds are now held in an escrow account with Union Bank to be used to pay for the costs of design, construction, and operation of the water treatment facility at the Charnock Wells. These funds are invested under the same guidelines as the pooled portfolio with maturity dates to match the estimated cash flow needs of the Water Treatment Facility project. In accordance with the December 2006 settlement agreement, investment income earned in the escrow account is not restricted for use on the project. In August 2009, all investment income earned from date of account opening (December 2006) through July 2009 was transferred to the City (approximately \$9.7 million) and interest is now being transferred on a monthly basis. Funds remaining in the account (approximately \$37 million) should be sufficient to cover all

costs related to construction of the facility and operations for the first three to four years. Construction is expected to be complete by the end of 2010. The yield to maturity on these funds as of December 31, 2010 is 0.71%. On December 31, 2010, the portfolio showed an unrealized loss of \$230,969.74. The weighted average days-to-maturity was 85 days. Most investments are being held in very short maturity/low yield investments pending completion of construction of the treatment facility.

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 including the pooled portfolio and the Water Treatment Facility account. Bond proceeds and the Cemetery and Mausoleum Perpetual Care Funds are excluded.

The following tables summarize portfolio compliance as of December 31, 2010; all investments were in compliance with State law and the City's Investment Policy at the time of purchase. State law requires that any investment subject to a credit downgrade subsequent to the time of purchase shall be reviewed for possible sale within a reasonable amount of time after the downgrade. As of the date of this report, the portfolio includes no bonds that have been downgraded since the time of purchase and all remaining corporate bonds are FDIC insured and rated AAA.

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

**SM Water Treatment Facility
Portfolio Management
Portfolio Details - Investments
December 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 360	YTM 365	Days to Maturity	Maturity Date
Money Market Sweep Fund												
SYS1	1	Blackrock Institutional Funds-		12/19/2006	21,152,362.45	21,152,362.45	21,152,362.45	0.050	0.049	0.050	1	
Subtotal and Average			21,731,922.51		21,152,362.45	21,152,362.45	21,152,362.45		0.049	0.050	1	
Federal Agency Coupon Securities												
3137EAAB5	45	Federal Home Loan Mortgage Cor		04/16/2008	1,200,000.00	1,217,124.00	1,277,432.96	5.125	2.829	2.869	107	04/18/2011
3137EAAF6	42	Federal Home Loan Mortgage Cor		04/16/2008	4,200,000.00	4,312,812.00	4,497,570.00	5.250	2.910	2.950	198	07/18/2011
3133XT2T2	57	Federal Home Loan Bank		07/17/2009	5,000,000.00	5,099,900.00	5,087,600.00	2.250	1.529	1.550	405	02/10/2012
Subtotal and Average			10,862,602.96		10,400,000.00	10,629,836.00	10,862,602.96		2.254	2.285	284	
Federal Agency Disc. -At Cost												
313396AL7	60	Federal Home Loan Mortgage Cor		10/08/2010	5,000,000.00	4,999,950.00	4,998,152.78	0.140	0.140	0.142	10	01/11/2011
Subtotal and Average			7,255,620.16		5,000,000.00	4,999,950.00	4,998,152.78		0.140	0.142	10	
Total and Average			39,850,145.63		36,552,362.45	36,782,148.45	37,013,118.19		0.708	0.718	85	

Portfolio Allocation as of 12/31/10

	Pooled Portfolio	SM Water Treatment Facility Account (1)	Total Portfolio (2) (4)	% of Portfolio	Legal/ Policy Limit	In Compliance (Yes/No)
Federal Agency Securities						
Federal Home Loan Bank	\$176,118,086.02	\$5,087,600.00	\$181,205,686.02	30.5%	50.0%	Yes
Federal National Mortgage Association	107,982,796.12	0.00	107,982,796.12	18.2%	50.0%	Yes
Federal Home Loan Mortgage Corporation	60,259,077.22	10,773,155.74	71,032,232.96	12.0%	50.0%	Yes
Federal Farm Credit Bank	45,272,587.73	0.00	45,272,587.73	7.6%	50.0%	Yes
Total Federal Agency Securities	\$389,632,547.09	15,860,755.74	405,493,302.83	68.3%	n/a	Yes
Corporate Bonds						
Corporate Bonds - TGLP (FDIC Insured)	\$65,846,260.00	\$0.00	65,846,260.00			
Corporate Bonds - Other	\$0.00		0.00			
Total Corporate Bonds	\$65,846,260.00	\$0.00	\$65,846,260.00	11.1%	30.0%	Yes
Money Market Mutual Funds						
Columbia Money Market Reserves Advisor Class	9,232,940.54		9,232,940.54	1.6%	10.0%	Yes
BlackrockT-Find Cash Management Sweep		21,152,362.45	21,152,362.45	3.6%	10.0%	Yes
Total-Money Market Mutual Funds	\$9,232,940.54	\$21,152,362.45	\$30,385,302.99	5.1%	20.0%	Yes
State Local Agency Investment Fund-City	\$48,916,183.86		\$48,916,183.86	8.2%	\$50 million	Yes
State Local Agency Investment Fund-RDA	\$42,364,602.23		\$42,364,602.23	7.1%	\$50 million	Yes
Cash (3)	1,034,730.67		1,034,730.67	0.2%	None	Yes
Total (Book Value)	\$557,027,264.39	\$37,013,118.19	\$594,040,382.58	100.00%		

Notes:

- (1) Held by Union Bank
- (2) Excludes bond proceeds, funds held in trust for others, petty cash accounts, and other funds which are not entirely under City ownership and control
- (3) City's general bank account held at Bank of America. Does not include balance of HUD depository account (\$3,133,939.53)
- (4) Value used to test compliance is reported value (book value plus unrealized purchased interest).

Credit Ratings - Corporate Medium Term Notes

	Standard & Poors/		In Compliance (Yes/No)
	Fitch	Moodys	
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

City Portfolio as of 12/31/10 (Book Value)

Security	Pooled Portfolio	MTBE Custodial Account	SM Water Treatment Facility Account	Total Portfolio	Credit Rating*	In Compliance (Yes/No)
Corporate - TLGP (FDIC Guaranteed)						
Bank of America 3.125% (TLGP) 6/15/2012	\$5,199,100.00			\$5,199,100.00	AAA	Yes
Suntrust Bank 3% (TLGP) maturing 11/16/11	\$5,153,450.00			\$5,153,450.00	AAA	Yes
Goldman Sachs 3.25% (TLGP) 6/15/2012	\$5,206,850.00			\$5,206,850.00	AAA	Yes
Goldman Sachs 1.625% (TLGP) 7/15/11	\$5,030,000.00			\$5,030,000.00	AAA	Yes
HSBC 3.125% (TLGP) maturing 12/16/11	\$5,151,350.00			\$5,151,350.00	AAA	Yes
JP Morgan Chase 2.125% (TLGP) maturing 12/26/12	\$4,993,850.00			\$4,993,850.00	AAA	Yes
Wells Fargo Bank 3% (TLGP) maturing 1/12/11	\$4,994,150.00			\$4,994,150.00	AAA	Yes
Morgan Stanley 1.95% (TLGP) maturing 6/20/12	\$4,998,450.00			\$4,998,450.00	AAA	Yes
Morgan Stanley 2% (TLGP) maturing 9/22/11	\$5,090,200.00			\$5,090,200.00	AAA	Yes
U.S. Bank 2.25% (TLGP) maturing 3/13/12	\$4,999,400.00			\$4,999,400.00	AAA	Yes
Citigroup 2.125% (TLGP) maturing 7/12/12	\$2,015,520.00			\$2,015,520.00	AAA	Yes
Citigroup 1.5% (TLGP) maturing 7/12/11	\$5,010,400.00			\$5,010,400.00	AAA	Yes
Citigroup 1.875% (TLGP) maturing 10/22/12	\$3,011,940.00			\$3,011,940.00	AAA	Yes
Citigroup 1.375% (TLGP) maturing 8/10/11	\$4,991,600.00			\$4,991,600.00	AAA	Yes

* Per Standard and Poors

Certification

In compliance with California Government Code Section 53546 as amended January 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.

Carol Swindell, Director of Finance/City Treasurer