



Information Item

Date: September 14, 2009

To: Mayor and City Council
From: Carol Swindell, Director of Finance/City Treasurer
Subject: City Monthly Cash and Investment Report for August 2009

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 August 31, 2009.

Discussion

The August 2009 Investment Report highlights changes from last month. The value of cash and investments held in the pooled portfolio increased by \$15.1 million in August to \$514.5 million primarily due to the transfer of funds from the Santa Monica Water Treatment Facility escrow account. Further detail is provided below. The pooled portfolio yield-to-maturity fell one (1) basis point in August to 2.03%, one hundred forty-six (146) basis points lower than in August 2008. Investment earnings for the month were \$1 million, up 7% from last year.

In addition to the pooled portfolio, the City's total cash holdings as of August 31, 2009 included \$91.5 million in Charnock settlement-related funds. By terms of the agreement with the oil companies, the City can withdraw the interest from this account at any time. In August, \$9.7 million was withdrawn by the City representing earnings from account opening in December 2006 through July 2009. In addition, the City's cash and investment balances include \$8.9 million in bond proceeds held in trust with fiscal agents, \$7.7 million in other funds held in trust, and \$56,882 in petty cash for a total balance of \$622.7 million.

In compliance with Governmental Accounting Standards, the City reports all investments, with certain exceptions, at their current fair market value on the last day of each month. The investments held by the City may have a current fair market value that is 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. As of August 31, 2009, the City's portfolio showed an unrealized gain of approximately \$0.9 million.

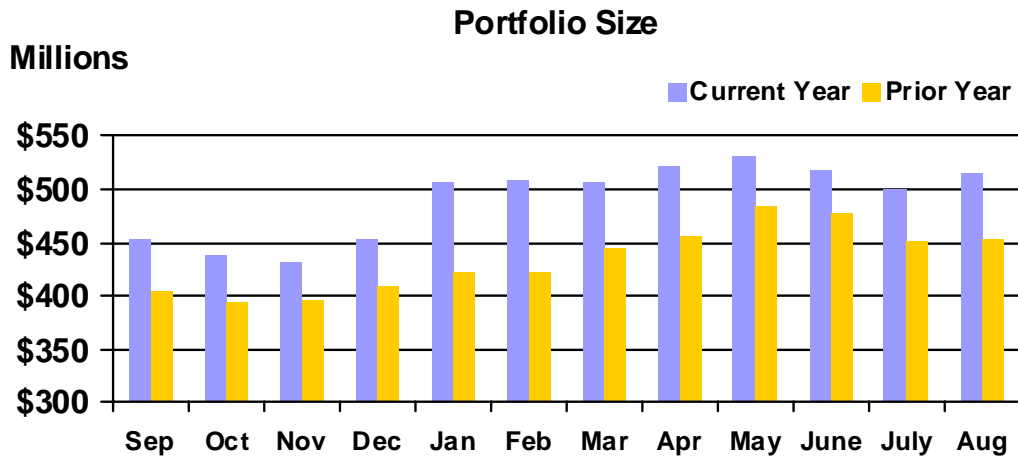
Attached is a summary of investment activity as well as a detailed report of public monies held by the City Treasurer for the month of August 2009.

Prepared by: David Carr, Principal Investment Analyst

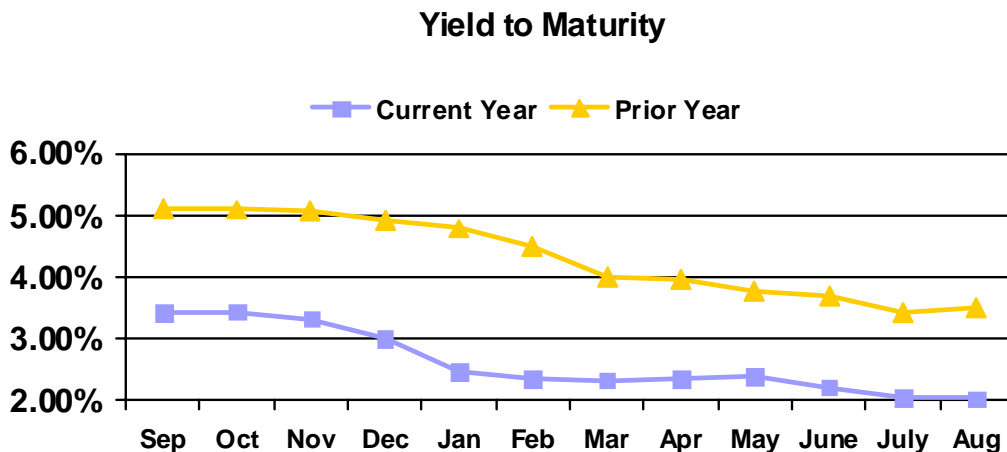
Attachments: 1 – Investment Highlights
2 – Investment Report

Investment Highlights

August 2009

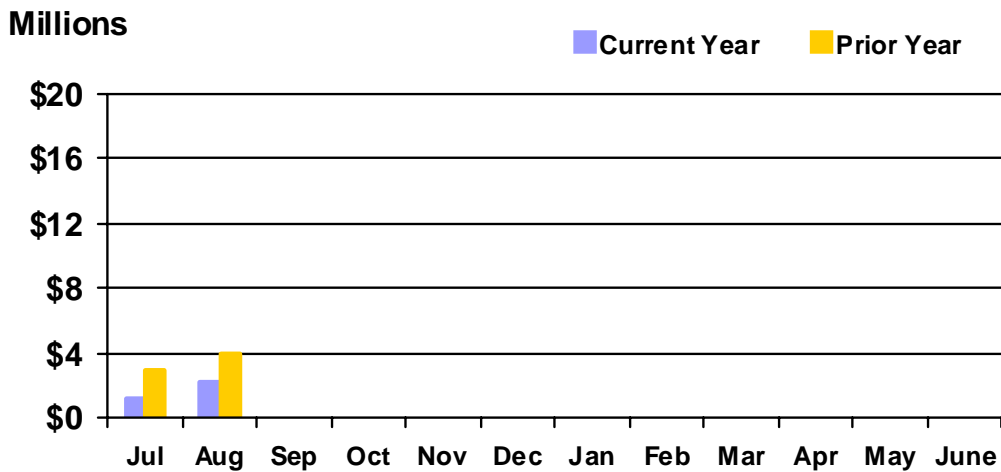


- As of August, the portfolio size is \$15.1 million more than in July and \$60.8 million more than in August 2008
- Increase from July reflects transfer of funds from Water Treatment escrow account.
- Increase from last year reflects transfer of Charnock settlement funds to City from escrow accounts.

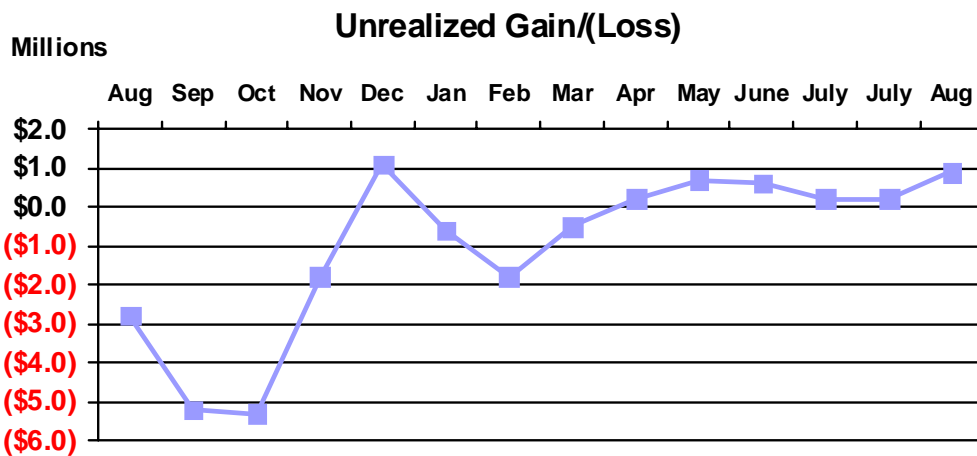


- As of August 31, yield to maturity is 2.03 percent.
- Decrease of 1 basis point from July and 146 basis points from one year earlier.

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



- August earnings were 7% more than prior year.
- Fiscal y-t-d earnings are 45.4% less than prior year.



- Unrealized gain (difference between market value and purchase price) as of August 31, 2009 is \$0.9 million.



Investment Report

August 2009

Prepared by:
Carol Swindell, Director of Finance/City Treasurer
David R. Carr, Principal Investment Analyst

**City of Santa Monica
Report of Public Monies Held by the City Treasurer
As of August 31, 2009**

| | |
|-------------------|-------------|
| Petty Cash | \$56,882.00 |
|-------------------|-------------|

Pooled Portfolio

| | |
|---|------------------|
| Bank of America (1) | |
| General Account | \$1,721,974.05 |
| Columbia Money Market Sweep Account | \$7,528,782.26 |
| Total Bank of America | \$9,250,756.31 |
| Bank of New York (BNY) | |
| Corporate Bonds | \$0.00 |
| Corporate Bonds - FDIC Insured | \$67,975,987.36 |
| Federal Agencies Securities | \$360,243,757.01 |
| Total Bank of New York | \$428,219,744.37 |
| State of California Local Agency Investment Fund - RDA | \$38,938,075.12 |
| State of California Local Agency Investment Fund - City | \$38,112,440.28 |

| | |
|-------------------------------|------------------|
| Total Pooled Portfolio | \$514,521,016.08 |
|-------------------------------|------------------|

Restricted Cash/Investments Held in Trust

| | |
|--|----------------|
| Bond Proceeds | |
| Union Bank-Earthquake Recovery Redevelopment 2006 | |
| Tax Allocation Refunding Bonds Series A & B | \$2.00 |
| BNY-Library Improvement Project 2002 Series | \$0.00 |
| BNY-Ocean Park Redevelopment Project 2002 Refunding | \$2,464,957.23 |
| BNY-Parking Authority Lease Revenue Bonds 2002 Refunding | \$2.01 |
| BNY-Public Safety Facility Bonds 1999 Series and 2002 Series | \$2,469,450.00 |
| U.S. Bank-Wastewater Enterprise Revenue Bonds-1993 Refunding | \$0.00 |
| U.S. Bank-Wastewater Enterprise Revenue Bonds-2005 Refunding | \$1.00 |
| Union Bank-Civic Center Parking Project 2004 Lease Revenue Bonds | \$3,955,876.85 |

| | |
|--|----------------|
| Total Restricted Cash/Investments Held in Trust | \$8,890,289.09 |
|--|----------------|

Charnock Settlement Funds

| | |
|---|-----------------|
| Union Bank (December 2006 Settlement) | |
| Money Market Funds | \$9,312,155.95 |
| Federal Agencies Securities | \$77,057,914.18 |
| Corporate Bonds | \$5,144,450.00 |
| Total Union Bank (December 2006 Settlement) | \$91,514,520.13 |

| | |
|--|-----------------|
| Total Charnock Settlement Funds | \$91,514,520.13 |
|--|-----------------|

Other Funds Held in Trust

| | |
|---|----------------|
| Cemetery Perpetual Care Fund (3) | \$6,840,071.36 |
| Mausoleum Perpetual Care Fund (3) | \$721,619.63 |
| Public Agency Family Self Sufficiency Program (2) | \$145,665.89 |

| | |
|--|----------------|
| Total Other Funds Held in Trust | \$7,707,356.88 |
|--|----------------|

| | |
|--------------------|------------------|
| GRAND TOTAL | \$622,690,064.18 |
|--------------------|------------------|

City of Santa Monica
Report of Public Monies Held by the City Treasurer
As of August 31, 2009

- (1) This is the actual bank account balance as of 8/31/09. 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.

**City of Santa Monica
Cash Receipts, Disbursements and Cash Balances*
August 31, 2009**

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

| | |
|--|------------------|
| Cash and Investments - July 31, 2009 | \$499,352,560.08 |
| Receipts | 58,087,064.86 |
| Disbursements | (42,918,608.86) |
| Cash and Investments - August 31, 2009 | \$514,521,016.08 |

* 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 July 31, 2009, total City cash and investments were \$622.7 million, a \$5.6 million increase from July. The increase reflects a typical revenue and expenditure pattern for month where revenues tend to exceed expenditures due to receipts from business license tax renewals. August activity also reflects the transfer of \$9.7 million from the Santa Monica Water Treatment Facility escrow account to the City. While this transfer does not affect total City cash, the City's pooled portfolio and the Charnock settlement funds are impacted. Further details are provided below.

| | | |
|--|----|-----------------------|
| Petty Cash | \$ | 56,882.00 |
| Pooled Investment Portfolio | \$ | 514,521,016.08 |
| Restricted Cash/Investment Held in Trust | \$ | 8,890,289.09 |
| Charnock Settlement Funds | \$ | 91,514,520.13 |
| Other Funds Held in Trust | \$ | 7,707,356.88 |
| Total | \$ | <u>622,690,064.18</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.

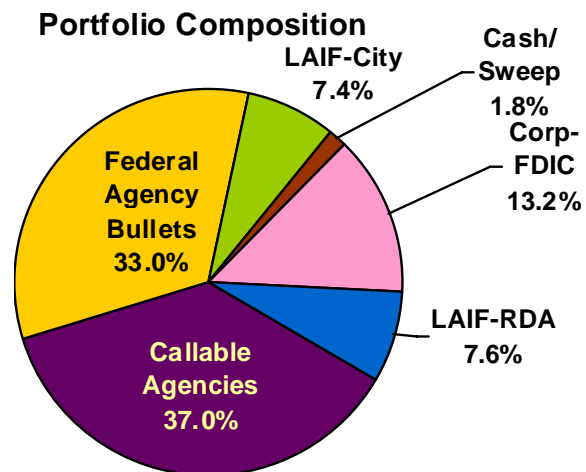
Pooled Investment Portfolio

As of August 31, 2009, the portfolio size (book value) of City pooled cash and investments is \$514.5 million, a \$15.1 million increase from July. 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 gains or losses on securities. As noted above, this month’s increase is primarily due to a transfer of approximately \$9.7 million from the Water Treatment Facility to the City. This represents investment earnings from inception of the account through July 31, 2009. In accordance with the settlement agreement between the City and the oil companies, interest earnings generated by the water treatment facility escrow account can be withdrawn by the City at any time. Twelve investments (\$50.1 million) were made during the month. Three investments matured during the month (\$13.2 million), and two investments were called (\$10 million). Additionally, the portfolio’s remaining two non-FDIC insured corporate bonds were sold in August (\$7.2 million). The total of City and RDA LAIF account balances were unchanged in August. The balance of the sweep account on August 31 was \$7.5 million.

Details of the main portfolio follow.

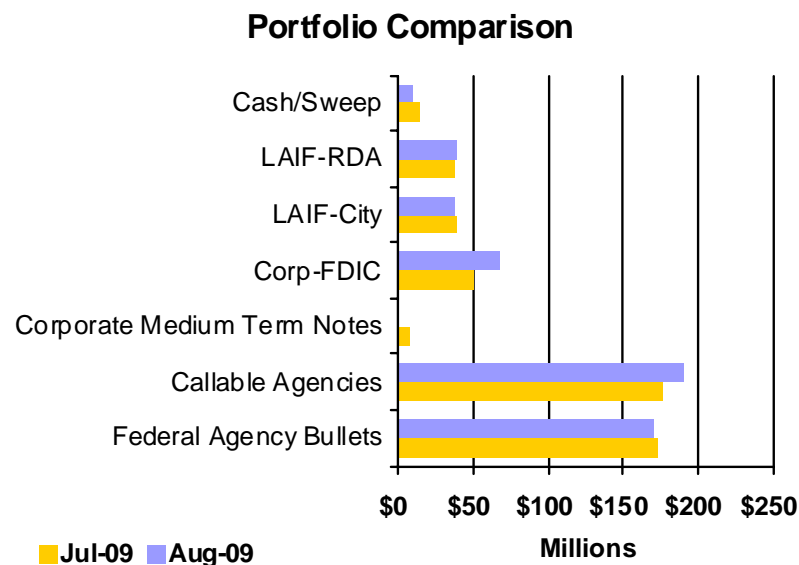
Portfolio Composition

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 (7.4%) and the RDA (7.6%); corporate notes (13.2%), all of which are currently all 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 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 August. As noted earlier, the City continues to hold a significant balance in short term funds as interest rates remain at historic lows. 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 August due to the low interest rate environment. However, when rates begin to rise again, rebalancing opportunities will be evaluated.

**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
August 31, 2009**

| 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 | | | | | | | | | | | | |
| 3133XGJ88 | 10714 | Federal Home Loan Bank | | 02/25/2008 | 5,000,000.00 | 5,006,250.00 | 5,196,150.00 | 5.250 | 564 | 2.640 | 10 | 09/11/2009 |
| 3134A3M78 | 10752 | Fed Home Loan Mortgage Corp | | 06/18/2008 | 5,000,000.00 | 5,012,500.00 | 5,207,750.00 | 6.625 | 454 | 3.180 | 14 | 09/15/2009 |
| 3133XQL83 | 10745 | Federal Home Loan Bank | | 05/21/2008 | 5,000,000.00 | 5,007,812.50 | 4,978,250.00 | 2.250 | 499 | 2.576 | 31 | 10/02/2009 |
| 3136F6JW0 | 10724 | Federal National Mort Assoc | | 03/26/2008 | 2,000,000.00 | 2,013,125.00 | 2,067,977.47 | 4.625 | 581 | 2.430 | 57 | 10/28/2009 |
| 3133X9BF6 | 10727 | Federal Home Loan Bank | | 03/28/2008 | 5,000,000.00 | 5,026,562.50 | 5,086,350.00 | 3.500 | 585 | 2.390 | 63 | 11/03/2009 |
| 3133X8RL8 | 10726 | Federal Home Loan Bank | | 03/28/2008 | 5,000,000.00 | 5,051,562.50 | 5,110,550.00 | 3.710 | 635 | 2.400 | 113 | 12/23/2009 |
| 3136F6TY5 | 10725 | Federal National Mort Assoc | | 03/26/2008 | 5,000,000.00 | 5,073,437.50 | 5,166,588.67 | 4.300 | 664 | 2.410 | 140 | 01/19/2010 |
| 3133MATQ2 | 10729 | Federal Home Loan Bank | | 03/27/2008 | 4,830,000.00 | 4,980,937.50 | 5,265,955.80 | 7.375 | 687 | 2.420 | 164 | 02/12/2010 |
| 3133XPNX8 | 10711 | Federal Home Loan Bank | | 02/14/2008 | 5,000,000.00 | 5,059,375.00 | 5,000,900.00 | 2.625 | 757 | 2.617 | 192 | 03/12/2010 |
| 3133X6PG5 | 10719 | Federal Home Loan Bank | | 03/19/2008 | 5,000,000.00 | 5,118,750.00 | 5,180,500.00 | 4.080 | 768 | 2.310 | 237 | 04/26/2010 |
| 31398APV8 | 10736 | Federal National Mort Assoc | | 04/23/2008 | 5,000,000.00 | 5,070,312.50 | 4,959,350.00 | 2.375 | 757 | 2.805 | 261 | 05/20/2010 |
| 3133XFLE4 | 10715 | Federal Home Loan Bank | | 02/25/2008 | 5,000,000.00 | 5,185,937.50 | 5,259,921.70 | 5.250 | 837 | 2.890 | 283 | 06/11/2010 |
| 3133XR2Y5 | 10739 | Federal Home Loan Bank | | 05/15/2008 | 5,000,000.00 | 5,098,437.50 | 4,981,850.00 | 3.000 | 757 | 3.182 | 283 | 06/11/2010 |
| 3133XR2Y5 | 10744 | Federal Home Loan Bank | | 05/21/2008 | 5,000,000.00 | 5,098,437.50 | 5,009,000.00 | 3.000 | 751 | 2.904 | 283 | 06/11/2010 |
| 31331YYU8 | 10731 | Federal Farm Credit Bank | | 03/27/2008 | 5,000,000.00 | 5,073,437.50 | 4,986,750.00 | 2.250 | 826 | 2.372 | 303 | 07/01/2010 |
| 3133XTZD1 | 10872 | Federal Home Loan Bank | | 07/08/2009 | 10,000,000.00 | 10,009,375.00 | 10,000,000.00 | 0.063 | 365 | 0.063 | 308 | 07/06/2010 |
| 3133XCBP7 | 10749 | Federal Home Loan Bank | | 05/29/2008 | 5,000,000.00 | 5,195,312.50 | 5,181,750.00 | 5.000 | 774 | 3.210 | 314 | 07/12/2010 |
| 3137EABQ1 | 10866 | Fed Home Loan Mortgage Corp | | 05/22/2009 | 5,000,000.00 | 5,120,312.50 | 5,154,500.00 | 3.250 | 420 | 0.550 | 318 | 07/16/2010 |
| 3133XCSY0 | 10710 | Federal Home Loan Bank | | 02/14/2008 | 5,000,000.00 | 5,207,812.50 | 5,255,500.00 | 4.875 | 914 | 2.750 | 349 | 08/16/2010 |
| 3133XGRD8 | 10728 | Federal Home Loan Bank | | 03/27/2008 | 4,900,000.00 | 5,132,750.00 | 5,200,664.00 | 5.125 | 916 | 2.580 | 393 | 09/29/2010 |
| 3133XSCT3 | 10813 | Federal Home Loan Bank | | 01/16/2009 | 3,000,000.00 | 3,094,687.50 | 3,101,580.00 | 3.375 | 642 | 1.386 | 414 | 10/20/2010 |
| 3133XMES6 | 10789 | Federal Home Loan Bank | | 11/25/2008 | 7,000,000.00 | 7,293,125.00 | 7,177,059.51 | 4.375 | 696 | 3.000 | 416 | 10/22/2010 |
| 31331TNJ6 | 10730 | Federal Farm Credit Bank | | 04/24/2008 | 5,000,000.00 | 5,231,250.00 | 5,206,000.00 | 4.350 | 967 | 2.725 | 472 | 12/17/2010 |
| 3137EABW8 | 10869 | Fed Home Loan Mortgage Corp | | 05/22/2009 | 3,000,000.00 | 3,032,040.00 | 3,030,120.00 | 1.500 | 595 | 0.875 | 493 | 01/07/2011 |
| 3133X5XR4 | 10819 | Federal Home Loan Bank | | 02/03/2009 | 5,000,000.00 | 5,014,062.50 | 5,000,000.00 | 2.750 | 730 | 2.313 | 520 | 02/03/2011 |
| 31331YWG1 | 10817 | Federal Farm Credit Bank | | 01/22/2009 | 5,000,000.00 | 5,156,250.00 | 5,144,150.00 | 3.000 | 770 | 1.607 | 548 | 03/03/2011 |
| 3128X8NB4 | 10835 | Fed Home Loan Mortgage Corp | | 03/09/2009 | 5,000,000.00 | 5,036,850.00 | 5,000,000.00 | 2.050 | 730 | 2.050 | 554 | 03/09/2011 |
| 3133XPNY6 | 10751 | Federal Home Loan Bank | | 05/29/2008 | 3,000,000.00 | 3,090,937.50 | 2,948,160.00 | 2.875 | 1,016 | 3.521 | 556 | 03/11/2011 |
| 31359MM26 | 10750 | Federal National Mort Assoc | | 05/29/2008 | 3,000,000.00 | 3,208,125.00 | 3,134,760.00 | 5.125 | 1,051 | 3.470 | 591 | 04/15/2011 |
| 31331YG46 | 10865 | Federal Farm Credit Bank | | 05/22/2009 | 5,000,000.00 | 5,131,250.00 | 5,157,217.65 | 2.625 | 699 | 1.080 | 597 | 04/21/2011 |
| 3128X7MN1 | 10810 | Fed Home Loan Mortgage Corp | | 01/15/2009 | 5,000,000.00 | 5,199,350.00 | 5,206,700.00 | 3.500 | 840 | 1.864 | 611 | 05/05/2011 |
| 3136F9QM8 | 10741 | Federal National Mort Assoc | | 06/02/2008 | 5,000,000.00 | 5,112,500.00 | 4,984,100.00 | 3.400 | 1,095 | 3.513 | 639 | 06/02/2011 |
| 3133XFJY3 | 10699 | Federal Home Loan Bank | | 01/18/2008 | 5,000,000.00 | 5,359,375.00 | 5,335,350.00 | 5.250 | 1,239 | 3.150 | 647 | 06/10/2011 |
| 3133XR4U1 | 10806 | Federal Home Loan Bank | | 01/09/2009 | 5,000,000.00 | 5,165,625.00 | 5,174,150.00 | 3.125 | 882 | 1.650 | 647 | 06/10/2011 |
| 3136FHE43 | 10873 | Federal National Mort Assoc | | 07/01/2009 | 5,000,000.00 | 5,004,687.50 | 4,992,500.00 | 1.500 | 730 | 1.576 | 668 | 07/01/2011 |
| 3133XTXH4 | 10894 | Federal Home Loan Bank | | 08/26/2009 | 4,000,000.00 | 4,035,000.00 | 4,033,596.11 | 1.625 | 700 | 1.250 | 694 | 07/27/2011 |

Portfolio INVT

CC

PM (PRF_PM2) SymRept V6.21

**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
August 31, 2009**

| 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 | | | | | | | | | | | | |
| 3133XUD26 | 10879 | Federal Home Loan Bank | | 08/10/2009 | 3,000,000.00 | 3,015,000.00 | 3,000,000.00 | 1.000 | 730 | 1.000 | 708 | 08/10/2011 |
| 3128X8HV7 | 10825 | Fed Home Loan Mortgage Corp | | 02/11/2009 | 5,000,000.00 | 5,035,500.00 | 4,992,500.00 | 2.000 | 911 | 2.062 | 709 | 08/11/2011 |
| 31331GDC0 | 10877 | Federal Farm Credit Bank | | 07/17/2009 | 5,000,000.00 | 5,231,250.00 | 5,299,802.16 | 3.600 | 819 | 1.299 | 773 | 10/14/2011 |
| 3133XT2S4 | 10827 | Federal Home Loan Bank | | 02/17/2009 | 5,000,000.00 | 5,037,500.00 | 5,000,000.00 | 2.100 | 1,003 | 2.100 | 807 | 11/17/2011 |
| 3128X8FD9 | 10809 | Fed Home Loan Mortgage Corp | | 01/30/2009 | 5,000,000.00 | 5,011,950.00 | 5,000,000.00 | 1.500 | 1,095 | 1.500 | 881 | 01/30/2012 |
| 3128X8GP1 | 10822 | Fed Home Loan Mortgage Corp | | 02/02/2009 | 5,000,000.00 | 5,027,950.00 | 5,000,000.00 | 2.250 | 1,095 | 2.250 | 884 | 02/02/2012 |
| 3128X8JB9 | 10824 | Fed Home Loan Mortgage Corp | | 02/17/2009 | 5,000,000.00 | 5,030,850.00 | 4,999,500.00 | 2.450 | 1,095 | 2.453 | 899 | 02/17/2012 |
| 3136F82S3 | 10708 | Federal National Mort Assoc | | 02/22/2008 | 1,255,000.00 | 1,271,079.69 | 1,251,862.50 | 3.300 | 1,461 | 3.367 | 904 | 02/22/2012 |
| 3128X8KX9 | 10834 | Fed Home Loan Mortgage Corp | | 02/25/2009 | 5,000,000.00 | 5,035,450.00 | 5,000,000.00 | 2.375 | 1,094 | 2.375 | 906 | 02/24/2012 |
| 3136FHCP8 | 10831 | Federal National Mort Assoc | | 03/09/2009 | 5,000,000.00 | 5,051,562.50 | 5,000,000.00 | 2.000 | 1,096 | 2.000 | 920 | 03/09/2012 |
| 3133XQZ39 | 10737 | Federal Home Loan Bank | | 04/30/2008 | 5,000,000.00 | 5,098,437.50 | 5,000,000.00 | 3.650 | 1,461 | 3.650 | 972 | 04/30/2012 |
| 31331GVL0 | 10860 | Federal Farm Credit Bank | | 05/07/2009 | 5,000,000.00 | 5,015,625.00 | 5,000,000.00 | 1.875 | 1,096 | 1.875 | 979 | 05/07/2012 |
| 3133MNVV0 | 10814 | Federal Home Loan Bank | | 01/16/2009 | 5,000,000.00 | 5,540,625.00 | 5,620,170.41 | 5.750 | 1,212 | 1.880 | 984 | 05/12/2012 |
| 3128X8ZG0 | 10853 | Fed Home Loan Mortgage Corp | | 05/21/2009 | 5,000,000.00 | 5,018,750.00 | 5,000,000.00 | 2.250 | 1,096 | 2.250 | 993 | 05/21/2012 |
| 3136FHUY9 | 10867 | Federal National Mort Assoc | | 06/01/2009 | 4,450,000.00 | 4,456,953.13 | 4,450,000.00 | 1.400 | 1,096 | 1.400 | 1,004 | 06/01/2012 |
| 3136FHUY9 | 10868 | Federal National Mort Assoc | | 06/01/2009 | 550,000.00 | 550,859.38 | 550,000.00 | 1.400 | 1,096 | 1.400 | 1,004 | 06/01/2012 |
| 3128X8ED0 | 10803 | Fed Home Loan Mortgage Corp | | 01/20/2009 | 5,000,000.00 | 5,033,750.00 | 5,000,000.00 | 2.400 | 1,277 | 2.400 | 1,053 | 07/20/2012 |
| 3128X83W0 | 10892 | Fed Home Loan Mortgage Corp | | 08/26/2009 | 2,000,000.00 | 2,004,160.00 | 2,006,387.50 | 2.100 | 1,059 | 2.061 | 1,053 | 07/20/2012 |
| 3133XUG31 | 10881 | Federal Home Loan Bank | | 07/30/2009 | 5,000,000.00 | 5,009,375.00 | 5,000,000.00 | 2.050 | 1,096 | 2.050 | 1,063 | 07/30/2012 |
| 3128X85C2 | 10880 | Fed Home Loan Mortgage Corp | | 08/13/2009 | 5,000,000.00 | 5,001,250.00 | 5,000,000.00 | 2.250 | 1,096 | 2.250 | 1,077 | 08/13/2012 |
| 3133XUK93 | 10890 | Federal Home Loan Bank | | 08/19/2009 | 5,000,000.00 | 5,018,750.00 | 5,010,946.86 | 2.000 | 1,122 | 1.951 | 1,109 | 09/14/2012 |
| 3128X8WD0 | 10845 | Fed Home Loan Mortgage Corp | | 04/15/2009 | 5,000,000.00 | 5,018,850.00 | 5,000,000.00 | 2.300 | 1,279 | 2.300 | 1,140 | 10/15/2012 |
| 3136FHRE7 | 10859 | Federal National Mort Assoc | | 05/20/2009 | 5,000,000.00 | 5,006,250.00 | 5,000,000.00 | 2.250 | 1,280 | 2.250 | 1,176 | 11/20/2012 |
| 3136F8YW9 | 10678 | Federal National Mort Assoc | | 12/14/2007 | 5,000,000.00 | 5,054,687.50 | 5,000,000.00 | 4.600 | 1,827 | 4.600 | 1,200 | 12/14/2012 |
| 3128X84Q2 | 10893 | Fed Home Loan Mortgage Corp | | 08/26/2009 | 4,000,000.00 | 3,989,840.00 | 4,002,900.00 | 2.250 | 1,253 | 2.277 | 1,247 | 01/30/2013 |
| 3136F95N9 | 10818 | Federal National Mort Assoc | | 02/06/2009 | 5,000,000.00 | 5,015,625.00 | 4,998,750.00 | 2.000 | 1,461 | 1.756 | 1,254 | 02/06/2013 |
| 3128X8TZ5 | 10844 | Fed Home Loan Mortgage Corp | | 04/08/2009 | 5,000,000.00 | 5,023,100.00 | 5,000,000.00 | 2.500 | 1,461 | 2.500 | 1,315 | 04/08/2013 |
| 3136FHLL7 | 10861 | Federal National Mort Assoc | | 05/01/2009 | 5,000,000.00 | 5,020,312.50 | 5,000,416.67 | 1.500 | 1,459 | 1.500 | 1,336 | 04/29/2013 |
| 31331GUE7 | 10851 | Federal Farm Credit Bank | | 05/06/2009 | 5,000,000.00 | 5,001,562.50 | 5,000,000.00 | 2.875 | 1,461 | 2.875 | 1,343 | 05/06/2013 |
| 31398ARC8 | 10807 | Federal National Mort Assoc | | 01/09/2009 | 5,000,000.00 | 5,029,687.50 | 5,107,000.00 | 4.120 | 1,578 | 3.580 | 1,343 | 05/06/2013 |
| 3133XRB58 | 10740 | Federal Home Loan Bank | | 05/28/2008 | 5,000,000.00 | 5,139,062.50 | 5,000,000.00 | 4.125 | 1,826 | 4.125 | 1,365 | 05/28/2013 |
| 3133XTSG2 | 10874 | Federal Home Loan Bank | | 06/18/2009 | 3,090,000.00 | 3,093,862.50 | 3,083,820.00 | 2.875 | 1,461 | 2.928 | 1,386 | 06/18/2013 |
| 31331GYF0 | 10875 | Federal Farm Credit Bank | | 06/24/2009 | 2,000,000.00 | 1,983,750.00 | 1,994,000.00 | 2.750 | 1,461 | 2.830 | 1,392 | 06/24/2013 |
| 3128X86V9 | 10883 | Fed Home Loan Mortgage Corp | | 08/19/2009 | 5,000,000.00 | 5,045,800.00 | 5,000,000.00 | 2.800 | 1,461 | 2.800 | 1,448 | 08/19/2013 |
| 3128X8ZA3 | 10855 | Fed Home Loan Mortgage Corp | | 05/05/2009 | 5,000,000.00 | 5,012,650.00 | 5,000,000.00 | 2.875 | 1,645 | 2.875 | 1,526 | 11/05/2013 |
| 3136F93R2 | 10802 | Federal National Mort Assoc | | 01/22/2009 | 5,000,000.00 | 5,023,437.50 | 5,000,000.00 | 2.000 | 1,826 | 2.000 | 1,604 | 01/22/2014 |

Portfolio INVT

CC

**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
August 31, 2009**

| 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 | | | | | | | | | | | | |
| 3128X8FT4 | 10815 | Fed Home Loan Mortgage Corp | | 01/29/2009 | 5,000,000.00 | 4,981,200.00 | 5,000,000.00 | 2.000 | 1,826 | 2.000 | 1,611 | 01/29/2014 |
| 3128X8NE8 | 10836 | Fed Home Loan Mortgage Corp | | 03/10/2009 | 5,000,000.00 | 5,056,100.00 | 5,000,000.00 | 2.125 | 1,826 | 2.125 | 1,651 | 03/10/2014 |
| 31398AXB3 | 10852 | Federal National Mort Assoc | | 05/05/2009 | 5,000,000.00 | 4,956,250.00 | 5,000,000.00 | 2.800 | 1,826 | 2.800 | 1,707 | 05/05/2014 |
| 3128X85J7 | 10882 | Fed Home Loan Mortgage Corp | | 08/18/2009 | 5,000,000.00 | 5,017,700.00 | 5,000,000.00 | 3.550 | 1,826 | 3.550 | 1,812 | 08/18/2014 |
| Subtotal and Average | | | 346,452,287.75 | | 355,075,000.00 | 360,673,907.20 | 360,243,757.01 | | 1,040 | 2.332 | 770 | |
| Federal Agency Discount | | | | | | | | | | | | |
| Subtotal and Average | | | 2,806,380.30 | | | | | | | | | |
| Local Agency Investment Funds | | | | | | | | | | | | |
| SYS10090 | 10090 | Local Agency Investment Fund | | | 38,112,440.28 | 38,112,440.28 | 38,112,440.28 | 0.925 | 1 | 0.925 | 1 | |
| Subtotal and Average | | | 32,628,569.31 | | 38,112,440.28 | 38,112,440.28 | 38,112,440.28 | | 1 | 0.925 | 1 | |
| Columbia Money Market Fund | | | | | | | | | | | | |
| SYS10091 | 10091 | Columbia Money Market Reserves | | 09/15/2006 | 7,528,782.26 | 7,528,782.26 | 7,528,782.26 | 0.010 | 1 | 0.010 | 1 | |
| Subtotal and Average | | | 10,879,743.48 | | 7,528,782.26 | 7,528,782.26 | 7,528,782.26 | | 1 | 0.010 | 1 | |
| Local Agency Investment Funds - RDA | | | | | | | | | | | | |
| SYS10092 | 10092 | LAIF - RDA | | 03/17/2009 | 38,938,075.12 | 38,938,075.12 | 38,938,075.12 | 0.925 | 1 | 0.925 | 1 | |
| Subtotal and Average | | | 36,809,042.86 | | 38,938,075.12 | 38,938,075.12 | 38,938,075.12 | | 1 | 0.925 | 1 | |
| Corporate Bonds | | | | | | | | | | | | |
| 481247AD6 | 10793 | JP Morgan Chase | | 12/22/2008 | 5,000,000.00 | 5,110,650.00 | 5,088,900.00 | 2.625 | 709 | 1.700 | 456 | 12/01/2010 |
| 17314JAK9 | 10886 | Citigroup | | 08/07/2009 | 5,000,000.00 | 5,028,750.00 | 5,018,108.33 | 1.500 | 704 | 1.391 | 679 | 07/12/2011 |
| 38146FAF8 | 10888 | Goldman Sachs | | 08/07/2009 | 5,000,000.00 | 5,045,400.00 | 5,034,965.28 | 1.625 | 707 | 1.310 | 682 | 07/15/2011 |
| 17314JAN3 | 10887 | Citigroup | | 08/07/2009 | 5,000,000.00 | 5,009,050.00 | 4,991,790.97 | 1.375 | 733 | 1.460 | 708 | 08/10/2011 |
| 61757UAF7 | 10878 | Morgan Stanley | | 07/21/2009 | 5,000,000.00 | 5,081,400.00 | 5,123,255.56 | 2.000 | 793 | 1.155 | 751 | 09/22/2011 |
| 86801BAB1 | 10798 | Suntrust Bank | | 12/29/2008 | 5,000,000.00 | 5,174,218.50 | 5,153,450.00 | 3.000 | 1,052 | 1.900 | 806 | 11/16/2011 |
| 94974AA4 | 10790 | Wells Fargo Bank | | 12/10/2008 | 5,000,000.00 | 5,180,700.00 | 4,994,150.00 | 3.000 | 1,094 | 3.041 | 829 | 12/09/2011 |
| 4042EPAA5 | 10823 | HSBC | | 02/06/2009 | 5,000,000.00 | 5,191,900.00 | 5,151,350.00 | 3.125 | 1,043 | 2.030 | 836 | 12/16/2011 |
| 9116OHAA5 | 10842 | US Bank | | 03/13/2009 | 5,000,000.00 | 5,086,550.00 | 4,999,400.00 | 2.250 | 1,096 | 2.254 | 924 | 03/13/2012 |
| 06050BAA9 | 10808 | Bank of America | | 01/20/2009 | 5,000,000.00 | 5,193,050.00 | 5,199,100.00 | 3.125 | 1,242 | 1.913 | 1,018 | 06/15/2012 |
| 38146FAA9 | 10816 | Goldman Sachs | | 01/26/2009 | 5,000,000.00 | 5,214,150.00 | 5,206,850.00 | 3.250 | 1,236 | 1.984 | 1,018 | 06/15/2012 |
| 61757UAH3 | 10846 | Morgan Stanley | | 04/13/2009 | 5,000,000.00 | 5,033,150.00 | 4,998,450.00 | 1.950 | 1,164 | 1.960 | 1,023 | 06/20/2012 |
| 17313YAG6 | 10895 | Citigroup | | 08/28/2009 | 2,000,000.00 | 2,016,840.00 | 2,022,367.22 | 2.125 | 1,049 | 1.844 | 1,045 | 07/12/2012 |

Portfolio INVT
CC

**City of Santa Monica
Portfolio Management
Portfolio Details - Investments
August 31, 2009**

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Term | YTM 365 | Days to Maturity | Maturity Date |
|------------------------|--------------|-----------------------------|-----------------------|---------------|-----------------------|-----------------------|-----------------------|-------------|------------|--------------|------------------|---------------|
| Corporate Bonds | | | | | | | | | | | | |
| 481247AM6 | 10847 | JP Morgan Chase | | 04/13/2009 | 5,000,000.00 | 5,050,500.00 | 4,993,850.00 | 2.125 | 1,353 | 2.160 | 1,212 | 12/26/2012 |
| | | Subtotal and Average | 68,622,504.38 | | 67,000,000.00 | 68,416,308.50 | 67,975,987.36 | | 997 | 1.864 | 848 | |
| | | Total and Average | 498,198,528.08 | | 506,654,297.66 | 513,669,513.36 | 512,799,042.03 | | 863 | 2.025 | 653 | |

**City of Santa Monica
Portfolio Management
Activity By Type
August 1, 2009 through August 31, 2009**

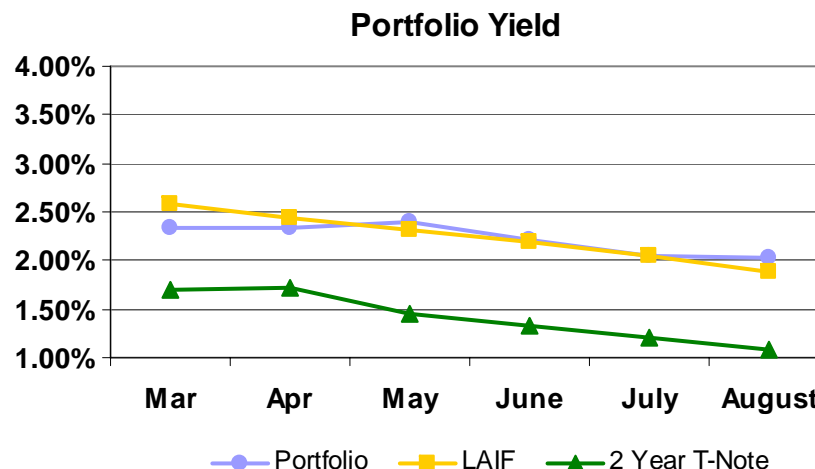
| CUSIP | Investment # | Issuer | Stated Rate | Transaction Date | Purchases or Deposits | Redemptions or Withdrawals | Balance |
|--|--------------|--------------------------------|-------------|------------------|-----------------------|----------------------------|-----------------------|
| Federal Agency Coupon | | | | | | | |
| 31331Y5J5 | 10775 | Federal Farm Credit Bank | 4.020 | 08/21/2009 | 0.00 | 5,000,000.00 | |
| 3133XGEQ3 | 10734 | Federal Home Loan Bank | 5.250 | 08/05/2009 | 0.00 | 5,181,500.00 | |
| 3133XUD26 | 10879 | Federal Home Loan Bank | 1.000 | 08/10/2009 | 3,000,000.00 | 0.00 | |
| 3133XUK93 | 10890 | Federal Home Loan Bank | 2.000 | 08/19/2009 | 5,007,335.75 | 0.00 | |
| 3133XTXH4 | 10894 | Federal Home Loan Bank | 1.625 | 08/26/2009 | 4,028,360.00 | 0.00 | |
| 3128X8B68 | 10854 | Fed Home Loan Mortgage Corp | 1.200 | 08/12/2009 | 0.00 | 5,000,000.00 | |
| 3128X85C2 | 10880 | Fed Home Loan Mortgage Corp | 2.250 | 08/13/2009 | 5,000,000.00 | 0.00 | |
| 3128X85J7 | 10882 | Fed Home Loan Mortgage Corp | 3.550 | 08/18/2009 | 5,000,000.00 | 0.00 | |
| 3128X86V9 | 10883 | Fed Home Loan Mortgage Corp | 2.800 | 08/19/2009 | 5,000,000.00 | 0.00 | |
| 3128X83W0 | 10892 | Fed Home Loan Mortgage Corp | 2.100 | 08/26/2009 | 2,002,187.50 | 0.00 | |
| 3128X84Q2 | 10893 | Fed Home Loan Mortgage Corp | 2.250 | 08/26/2009 | 3,996,400.00 | 0.00 | |
| Subtotal | | | | | 33,034,283.25 | 15,181,500.00 | 360,243,757.01 |
| Federal Agency Discount | | | | | | | |
| 313385KJ4 | 10884 | Federal Home Loan Bank | 0.070 | 08/13/2009 | 0.00 | 4,999,863.89 | |
| 313385KF2 | 10885 | Federal Home Loan Bank | 0.070 | 08/10/2009 | 0.00 | 2,999,935.83 | |
| Subtotal | | | | | 0.00 | 7,999,799.72 | 0.00 |
| Local Agency Investment Funds (Monthly Summary) | | | | | | | |
| SYS10090 | 10090 | Local Agency Investment Fund | 0.925 | | 9,000,000.00 | 10,000,000.00 | |
| Subtotal | | | | | 9,000,000.00 | 10,000,000.00 | 38,112,440.28 |
| Columbia Money Market Fund (Monthly Summary) | | | | | | | |
| SYS10091 | 10091 | Columbia Money Market Reserves | 0.010 | | 42,585,532.50 | 48,192,648.67 | |
| Subtotal | | | | | 42,585,532.50 | 48,192,648.67 | 7,528,782.26 |
| Local Agency Investment Funds - RDA (Monthly Summary) | | | | | | | |
| SYS10092 | 10092 | LAIF - RDA | 0.925 | | 4,000,000.00 | 3,000,000.00 | |
| Subtotal | | | | | 4,000,000.00 | 3,000,000.00 | 38,938,075.12 |
| Corporate Bonds | | | | | | | |
| 17314JAK9 | 10886 | Citigroup | 1.500 | 08/07/2009 | 5,010,400.00 | 0.00 | |
| 17314JAN3 | 10887 | Citigroup | 1.375 | 08/07/2009 | 4,991,600.00 | 0.00 | |
| 17313YAG6 | 10895 | Citigroup | 2.125 | 08/28/2009 | 2,015,520.00 | 0.00 | |
| 38146FAF8 | 10888 | Goldman Sachs | 1.625 | 08/07/2009 | 5,030,000.00 | 0.00 | |
| 441812JW5 | 10641 | HSBC | 6.375 | 08/24/2009 | 0.00 | 5,126,000.00 | |

City of Santa Monica
Portfolio Management
Activity By Type
August 1, 2009 through August 31, 2009

| CUSIP | Investment # | Issuer | Stated Rate | Transaction Date | Purchases or Deposits | Redemptions or Withdrawals | Balance |
|------------------------|--------------|------------------|-------------|------------------|-----------------------|----------------------------|----------------|
| Corporate Bonds | | | | | | | |
| 949746NB3 | 10696 | Wells Fargo Bank | 4.875 | 08/24/2009 | 0.00 | 2,044,223.04 | |
| | | Subtotal | | | 17,047,520.00 | 7,170,223.04 | 67,975,987.36 |
| | | Total | | | 105,667,335.75 | 91,544,171.43 | 512,799,042.03 |

Portfolio Yield

The portfolio yield-to-maturity was 2.03% as of August 31, 2009, down one basis point from July. This is the third consecutive month of decrease after four relatively flat months. This month's yield is three hundred seven (307) basis points below the high mark of 5.1% in September 2007, and is the lowest since March 2004. 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.



August interest rates in the two to five year maturity range fell from July levels as rates continue at historically low levels, particularly in the shorter maturities, reflecting uncertainty about the timing and strength of economic recovery. The month-end two year CMT decreased by sixteen (16) basis points to 0.97% and is one hundred thirty-nine (139) basis points less than in August 2008. Indications are that rates in very short maturities will remain relatively low at least through the first part of 2010. The twelve month moving average of the two year CMT fell by twelve (12) basis points during the month and is three hundred seventy-eight (378) basis points off its February 2007 high. LAIF rates have also decreased significantly in recent months. The twelve month moving average LAIF yield decreased by fifteen (15) basis points in August and has now declined for twenty-two consecutive months. As of August 31, the LAIF yield was 0.93%, the lowest in over thirty years. The LAIF yield is expected to decrease further in the upcoming months.

At its August 2009 meeting, the Federal Open Market Committee (Fed) left the target Fed Funds rate at a range of 0% to 0.25%. As noted earlier, these short term rates are not expected to change in the near future. The economy remains weak as unemployment and job losses continue to mount, and consumer spending continues to be sluggish. However, the housing market has shown recent positive results, and the rate of job losses seems to be declining leading many economists to project the beginning of a very mild recovery before the end of 2009. While the credit markets and overall financial outlook for banks have improved, credit still remains relatively tight.

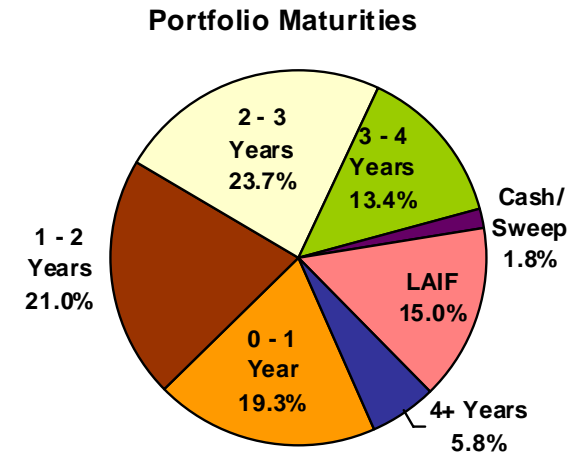
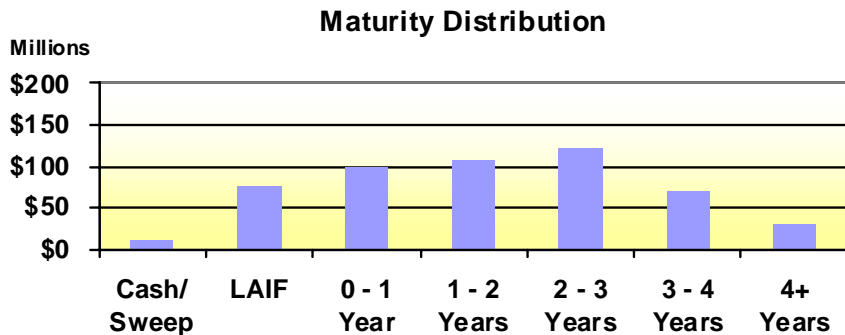
The City's portfolio yield-to-maturity has decreased significantly over the last year as interest rates have reached historic lows resulting in many investments being called and reinvested at lower rates. Overall, the yield is not anticipated to change

significantly over the next few months, but the market continues to be is volatile, so yields could vary on a month-to-month basis. Over \$400 million in bonds were called between October 2007 and the end of August 2009. As noted, more bonds will be called in the next few months as interest rates are expected to remain very low, but the volume of called investments will decrease as many of the higher yielding investments have already been called, matured, or in the case of corporate securities, sold.

Investment earnings in August were \$1.0 million, a 7% increase from August 2008. However, fiscal year-to-date earnings are 45.4% less than for the same period last fiscal year.

Maturity Distribution

The weighted average days to maturity as of August 31, 2009 is 653 days (1.79 years), 37 days more than the prior month. Due to the current volatile interest rate environment resulting in many called investments, the average days to maturity may vary over the next several months. Additionally, most investments are being made primarily in maturities of three years or less until there is a clear indication that interest rates have bottomed out.



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 hold most securities to maturity. Purchase price and market values are exclusive of interest realized to date on investments. As of August 31, 2009, the market value and the book value of the City’s pooled investments (excluding cash) are:

| | |
|------------------------|-------------------|
| Market Value | \$ 513,669,513.36 |
| Book Value | 512,799,042.03 |
| | |
| Unrealized Gain/(Loss) | \$ 870,471.33 |

Charnock Settlement

All remaining 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. The remaining 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. As noted earlier, in accordance with the December 2006 settlement agreement, the City can withdraw investment earnings from this account at anytime. In August, all interest earned from opening of the account in December 2006 through July 2009 were transferred to the City (approximately \$9.7 million). From that point onward, interest will be transferred on a monthly basis. Funds remaining in the account should be sufficient to cover all costs related to construction and operation of the facility. The yield to maturity on these funds as of August 31, 2009 is 1.83%, two (2) basis points more than the prior month. On August 31, 2009, the portfolio showed an unrealized loss of \$91,467.28. The weighted average days-to- maturity was 428 days (1.17 years).

**SM Water Treatment Facility
Portfolio Management
Portfolio Details - Investments
August 31, 2009**

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | YTM 365 | Days to Maturity | Maturity Date |
|---|--------------|--------------------------------|----------------------|---------------|----------------------|----------------------|----------------------|-------------|---------|--------------|------------------|---------------|
| Money Market Sweep Fund | | | | | | | | | | | | |
| SYS1 | 1 | Blackrock Institutional Funds- | | 12/19/2006 | 9,312,155.95 | 9,312,155.95 | 9,312,155.95 | 0.060 | | 0.060 | 1 | |
| Subtotal and Average | | | 17,048,012.74 | | 9,312,155.95 | 9,312,155.95 | 9,312,155.95 | | | 0.060 | 1 | |
| Corporate Notes | | | | | | | | | | | | |
| 61757UAA8 | 54 | Morgan Stanley | | 04/13/2009 | 5,000,000.00 | 5,127,650.00 | 5,144,450.00 | 2.900 | | 1.108 | 456 | 12/01/2010 |
| Subtotal and Average | | | 5,144,450.00 | | 5,000,000.00 | 5,127,650.00 | 5,144,450.00 | | | 1.108 | 456 | |
| Federal Agency Coupon Securities | | | | | | | | | | | | |
| 31331X4N9 | 41 | Federal Farm Credit Bank | | 04/09/2008 | 3,000,000.00 | 3,009,390.00 | 3,085,590.00 | 4.375 | | 2.387 | 27 | 09/28/2009 |
| 31331XBQ4 | 31 | Federal Farm Credit Bank | | 04/07/2008 | 4,000,000.00 | 4,027,520.00 | 4,162,840.00 | 5.000 | | 2.301 | 52 | 10/23/2009 |
| 3133X8RL8 | 32 | Federal Home Loan Bank | | 04/07/2008 | 4,000,000.00 | 4,041,240.00 | 4,085,840.00 | 3.710 | | 2.420 | 113 | 12/23/2009 |
| 3136F6TY5 | 36 | Federal national Mortgage Asso | | 04/09/2008 | 1,825,000.00 | 1,851,809.25 | 1,883,003.38 | 4.300 | | 2.460 | 140 | 01/19/2010 |
| 3133XSZS0 | 58 | Federal Home Loan Bank | | 07/22/2009 | 3,400,000.00 | 3,409,554.00 | 3,410,914.00 | 1.000 | | 0.400 | 157 | 02/05/2010 |
| 3133MWB2 | 46 | Federal Home Loan Bank | | 04/24/2008 | 1,055,000.00 | 1,071,489.65 | 1,074,084.95 | 3.875 | | 2.835 | 164 | 02/12/2010 |
| 31398AMV1 | 34 | Federal national Mortgage Asso | | 04/07/2008 | 4,000,000.00 | 4,050,000.00 | 4,007,000.00 | 2.500 | | 2.410 | 220 | 04/09/2010 |
| 31398AMV1 | 37 | Federal national Mortgage Asso | | 04/09/2008 | 3,000,000.00 | 3,037,500.00 | 3,004,080.00 | 2.500 | | 2.430 | 220 | 04/09/2010 |
| 3133XCBP7 | 39 | Federal Home Loan Bank | | 04/09/2008 | 3,000,000.00 | 3,117,180.00 | 3,159,510.00 | 5.000 | | 2.560 | 314 | 07/12/2010 |
| 3128X4EL1 | 35 | Federal Home Loan Mortgage Cor | | 04/07/2008 | 4,000,000.00 | 4,145,760.00 | 4,191,200.00 | 4.625 | | 2.480 | 330 | 07/28/2010 |
| 3133XGRD8 | 40 | Federal Home Loan Bank | | 04/09/2008 | 3,000,000.00 | 3,142,500.00 | 3,176,010.00 | 5.125 | | 2.657 | 393 | 09/29/2010 |
| 3133XUCG6 | 55 | Federal Home Loan Bank | | 07/28/2009 | 3,000,000.00 | 3,001,890.00 | 2,999,700.00 | 1.000 | | 1.007 | 514 | 01/28/2011 |
| 3137EAAB5 | 45 | Federal Home Loan Mortgage Cor | | 04/16/2008 | 1,200,000.00 | 1,281,372.00 | 1,277,432.96 | 5.125 | | 2.869 | 594 | 04/18/2011 |
| 3128X8WC2 | 53 | Federal Home Loan Mortgage Cor | | 04/20/2009 | 10,000,000.00 | 10,068,400.00 | 10,000,000.00 | 1.750 | | 1.750 | 596 | 04/20/2011 |
| 3137EAAF6 | 42 | Federal Home Loan Mortgage Cor | | 04/16/2008 | 4,200,000.00 | 4,532,052.00 | 4,497,570.00 | 5.250 | | 2.950 | 685 | 07/18/2011 |
| 3128X84Z2 | 56 | Federal Home Loan Mortgage Cor | | 07/27/2009 | 5,000,000.00 | 5,000,600.00 | 5,000,000.00 | 1.750 | | 1.750 | 878 | 01/27/2012 |
| 3133XT2T2 | 57 | Federal Home Loan Bank | | 07/17/2009 | 5,000,000.00 | 5,095,300.00 | 5,087,600.00 | 2.250 | | 1.550 | 892 | 02/10/2012 |
| 3128X8MS8 | 49 | Federal Home Loan Mortgage Cor | | 03/02/2009 | 5,000,000.00 | 5,045,300.00 | 4,997,500.00 | 2.350 | | 2.367 | 913 | 03/02/2012 |
| 3136F9GR8 | 30 | Federal national Mortgage Asso | | 04/15/2008 | 3,000,000.00 | 3,061,890.00 | 3,000,000.00 | 3.750 | | 3.750 | 1,322 | 04/15/2013 |
| Subtotal and Average | | | 72,796,975.53 | | 70,680,000.00 | 71,990,746.90 | 72,099,875.29 | | | 2.177 | 495 | |
| Federal Agency Disc. -At Cost | | | | | | | | | | | | |
| 313385VF0 | 52 | Federal Home Loan Bank | | 04/08/2009 | 5,000,000.00 | 4,992,500.00 | 4,958,038.89 | 0.830 | | 0.859 | 218 | 04/07/2010 |
| Subtotal and Average | | | 4,958,038.89 | | 5,000,000.00 | 4,992,500.00 | 4,958,038.89 | | | 0.859 | 218 | |

Portfolio MTBE
CC

SM Water Treatment Facility
Portfolio Management
Portfolio Details - Investments
August 31, 2009

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | YTM 365 | Days to Maturity |
|-------------------|--------------|--------|-----------------|---------------|---------------|---------------|---------------|-------------|---------|---------|------------------|
| Total and Average | | | 99,947,477.16 | | 89,992,155.95 | 91,423,052.85 | 91,514,520.13 | | | 1.830 | 428 |

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, the Water Treatment Facility account, and the MtBE Custodial account. Bond proceeds and the Cemetery and Mausoleum Perpetual Care Funds are excluded.

The tables below summarize portfolio compliance as of August 31, 2009. 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:

A Wells Fargo bond that had been downgraded by Standard and Poor's in January from AA to AA- was sold in August resulting in a gain of \$35,176.96. An HSBC bond that had been downgraded to A from AA- in March 2009 was also sold in August resulting in a gain of \$131,700.

All remaining corporate bonds are FDIC insured and rated AAA.

Further detail regarding City compliance with State law and City investment guidelines is presented below.

Portfolio Allocation as of 8/31/09

| | 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 | \$146,192,174.39 | \$27,951,697.84 | \$174,143,872.23 | 28.7% | 50.0% | Yes |
| Federal National Mortgage Association | 71,663,305.31 | 11,894,083.38 | 83,557,388.69 | 13.8% | 50.0% | Yes |
| Federal Home Loan Mortgage Corporation | 104,600,357.50 | 29,963,702.96 | 134,564,060.46 | 22.2% | 50.0% | Yes |
| Federal Farm Credit Bank | 37,787,919.81 | 7,248,430.00 | 45,036,349.81 | 7.4% | 50.0% | Yes |
| Total Federal Agency Securities | \$360,243,757.01 | 77,057,914.18 | 437,301,671.19 | 72.2% | n/a | Yes |
| Corporate Bonds | | | | | | |
| Corporate Bonds - TGLP (FDIC Insured) | \$67,975,987.36 | \$5,144,450.00 | 73,120,437.36 | | | |
| Corporate Bonds - Other | \$0.00 | | 0.00 | | | |
| Total Corporate Bonds | \$67,975,987.36 | \$5,144,450.00 | \$73,120,437.36 | 12.1% | 30.0% | Yes |
| Money Market Mutual Funds | | | | | | |
| Columbia Money Market Reserves Advisor Class | 7,528,782.26 | | 7,528,782.26 | 1.2% | 10.0% | Yes |
| BlackrockT-Find Cash Management Sweep | | 9,312,155.95 | 9,312,155.95 | 1.5% | 10.0% | Yes |
| Total-Money Market Mutual Funds | \$7,528,782.26 | \$9,312,155.95 | \$16,840,938.21 | 2.8% | 20.0% | Yes |
| State Local Agency Investment Fund-City | \$38,112,440.28 | | \$38,112,440.28 | 6.3% | \$40 million | Yes |
| State Local Agency Investment Fund-City | \$38,938,075.12 | | \$38,938,075.12 | 6.4% | \$40 million | Yes |
| Cash (3) | 1,721,974.05 | | 1,721,974.05 | 0.3% | None | Yes |
| Total (Book Value) | \$514,521,016.08 | \$91,514,520.13 | \$606,035,536.21 | 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.
- (4) Value used to test compliance is reported value (book value plus unrealized purchased interest).

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 |

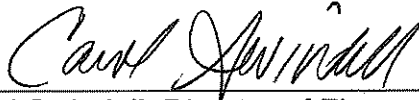
City Portfolio as of 8/31/09 (Book Value)

| 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 | \$5,034,965.28 | | | \$5,034,965.28 | AAA | Yes |
| HSBC 3.125% (TLGP) maturing 12/16/11 | \$5,151,350.00 | | | \$5,151,350.00 | AAA | Yes |
| JP Morgan Chase 2.625% (TLGP) maturing 12/1/10 | \$10,082,750.00 | | | \$10,082,750.00 | 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 2.9% (TLGP) maturing 12/01/10 | | | \$5,144,450.00 | \$5,144,450.00 | AAA | Yes |
| Morgan Stanley 2% (TLGP) maturing 9/22/11 | \$5,123,255.56 | | | \$5,123,255.56 | 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 | \$2,022,367.22 | | | \$2,022,367.22 | AAA | Yes |
| Citigroup 1.5% (TLGP) maturing 7/12/11 | \$5,018,108.33 | | | \$5,018,108.33 | AAA | Yes |
| Citigroup 1.375% (TLGP) maturing 8/10/11 | \$4,991,790.97 | | | \$4,991,790.97 | 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