



**CITY OF COSTA MESA
FINANCE DEPARTMENT
INTEROFFICE MEMORANDUM**

TO: HONORABLE CITY COUNCIL

FROM: BOBBY YOUNG, FINANCE & I.T. DIRECTOR

DATE: DECEMBER 16, 2011

SUBJECT: *TREASURER'S REPORT FOR THE MONTH OF NOVEMBER, 2011*

Attached is the Treasurer's Report for the month of November 2011. This performance report lists the various types of securities, institutions the securities were purchased from, maturity dates and interest rates for all securities held in the City's investment portfolio as of the end of the reporting period. All of the City's investments as of November 30, 2011, are in compliance with the Investment Policy and the California Government Code except as otherwise noted or disclosed herein. All market values provided in this report were obtained from The Bank of New York Mellon, except for the Local Agency Investment Fund (LAIF). Market values for LAIF were provided by the State Treasurer's Office. The market value shown for the City's LAIF investment represents the City's contractual rights to its LAIF account and does not represent the value of the underlying portfolio securities. As of November 30, 2011, the City has adequate cash reserves necessary to meet its obligations for the next six months.

The weighted average stated rate of return (current yield) for the City's investment portfolio as of November 30, 2011, was 1.930%. The yield to maturity of the portfolio was 1.848%. The current yield of the City's portfolio was 153 basis points (1.529%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .401% for the month ended November 30, 2011. The weighted average number of days to maturity for the total portfolio was 226 days (.619 years). The weighted average number of days to maturity for the total portfolio less pools was 546 days (1.495 years). The average duration for the underlying securities within LAIF as of November 30 was 220 days (0.603 years).

There were no securities purchased during the month of November, 2011.

There were no securities called during the month of November, 2011.

There were no securities sold during the month of November, 2011.

There were no securities matured during the month of November, 2011.

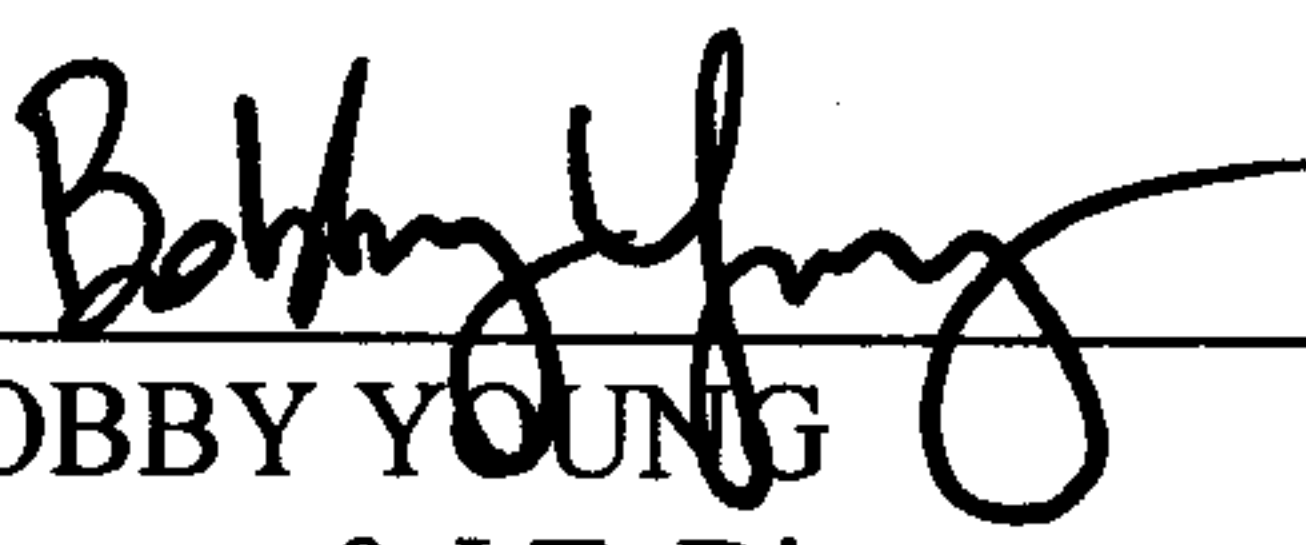
COMPLIANCE REPORTING

The City holds two Lehman Brothers Medium-Term Corporate Notes in its investment portfolio. The total amount invested in these two securities stated at cost is \$5,049,700. Lehman Brothers filed for bankruptcy protection status on September 15, 2008 and the debt rating fell to B3- on that date. These securities had been rated A2 up until the bankruptcy filing. The market value loss of \$4,107,075 for the securities was recorded on the City's general ledger in September 2008, and is updated annually. The current estimates for recoveries through the bankruptcy proceedings are unknown.

In April 2011, the City joined the Ad Hoc Group of Lehman Brothers Creditors to help maximize the recovery through bankruptcy proceedings, and to protect the City's interest in the Lehman Brother's bankruptcy. The Ad Hoc Group filed a "Creditor's Plan" with the U.S. Bankruptcy Court in Manhattan which would provide a better recovery to creditors of the original Lehman parent company while offering a smaller payout to some creditors of Lehman subsidiaries. The Lehman Brothers Holding Inc. "Debtor Plan" proposed increasing payments to the holding company's senior unsecured creditors, which includes the bondholders, to 21.4 percent of their claims from 14.7 percent. However, the "Creditor's Plan" would pay out about 24.5 cents on the dollar, against 21.4 cents in the Lehman plan. A federal bankruptcy judge approved a plan by Lehman Brothers' bankruptcy estate to pay out about \$65 billion to creditors, about one-fifth of what they are owed. The plan will be sent to the estate's 110,000 creditors, who will have until November 4 to vote. To pass, the plan must win approval from a majority of creditors in each class, and voters in favor of the plan must represent at least two-thirds of the dollar amount sought. A confirmation hearing is scheduled for December 6, pending approval by creditors. Lehman has said that it hopes to begin paying creditors by early next year.

The investment portfolio is in compliance with the City's adopted investment policy and applicable state laws in all other respects during, and as of, the end of the reporting period.

If you have any questions or need additional information, feel free to contact me directly.


BOBBY YOUNG
Finance & I.T. Director

Attachment: Treasurer's Report for the month of November, 2011


CITY OF COSTA MESA
TREASURER'S REPORT OF POOLED CASH AND INVESTMENTS
AS OF NOVEMBER 30, 2011

| <u>ACTIVE ACCOUNTS</u> | <u>BANK BALANCE</u> | <u>DEPOSITS IN TRANSIT</u> | <u>OUTSTANDING CHECKS</u> | <u>BOOK BALANCE</u> |
|---|---------------------|--------------------------------|-------------------------------|---------------------|
| Bank of America - General/Payroll | \$1,780,242.32 | 106,728.53 | 147,408.58 | 1,739,562.27 |
| Reconciling Items | | 1,910.81 | 140,443.50 | (138,532.69) |
| Vendor Payment Account | | 6,091.56 | 55,256.10 | (49,164.54) |
| Bank of America - Flex Benefit Plan, C.A.I. | | - | 10,450.72 | (10,450.72) |
| Total Active Accounts | <u>1,780,242.32</u> | <u>114,730.90</u> | <u>353,558.90</u> | <u>1,541,414.32</u> |

| <u>INVESTMENTS</u> | <u>COST</u> | | | |
|--|----------------------|--|--|----------------------|
| Bank of New York-Trust Sweep Account | - | | | - |
| Local Agency Investment Fund | 33,609,910.15 | | | 33,609,910.15 |
| Medium Term Corporate Notes | 10,682,900.00 | | | 10,682,900.00 |
| Federal Home Loan Mortgage Corporation | 2,000,000.00 | | | 2,000,000.00 |
| Federal Farm Credit Bank | 4,000,000.00 | | | 4,000,000.00 |
| Federal National Mortgage Association | 7,000,000.00 | | | 7,000,000.00 |
| | <u>57,292,810.15</u> | | | <u>57,292,810.15</u> |
| Market Value Adjustment at 06-30-2011 | | | | 813,171.25 |
| | | | | <u>58,105,981.40</u> |

| <u>DEFAULTED SECURITIES</u> | | | | |
|---------------------------------------|--------------------------|--------------|--------------|--------------------------|
| Lehman Bros. Corp. Notes | 5,049,700.00 | | | 5,049,700.00 |
| Market Value Adjustment at 06-30-2011 | | | | (3,734,075.00) |
| | | | | <u>1,315,625.00</u> |
| Total Investments | <u>62,342,510.15</u> | <u>-</u> | <u>-</u> | <u>59,421,606.40</u> |

| <u>IMPREST ACCOUNTS</u> | | | | |
|---------------------------------------|----------------------|-------------------|-------------------|-----------------------------|
| Bank of America - Bail | 263.00 | - | 253.00 | 10.00 |
| Long Term Disability | 20,000.00 | | | 20,000.00 |
| | <u>20,263.00</u> | <u>-</u> | <u>253.00</u> | <u>20,010.00</u> |
| | <u>64,143,015.47</u> | <u>114,730.90</u> | <u>353,811.90</u> | <u>60,983,030.72</u> |
| City of Costa Mesa Change Funds | | | | 12,075.00 |
| ABLE Change Fund | | | | 100.00 |
| TOTAL POOLED CASH AND INVESTMENTS | | | | <u>\$ 60,995,205.72</u> |


 BOBBY YOUNG
 Finance & I.T. Director

12/22/11
 DATE

POOLED CASH AND INVESTMENTS BY FUND
FOR THE MONTH ENDING NOVEMBER 2011

| FUND NO | FUND NAME | AMOUNT |
|---------|---|-------------------------|
| 101 | General Fund | \$ 13,557,875.16 * |
| 201 | Special Gas Tax Fund | 11,716,587.08 |
| 202 | Prop. 172 - Public Safety Fund | 363,998.80 |
| 203 | Air Quality Improvement Fund (AB 2766) | 573,278.57 |
| 205 | HUD -HOME Program-HOME Investment Partnership Act | (199,101.92) |
| 207 | HUD -Community Development Block Grant Program Fund | (391,284.18) |
| 208 | Park Development Fees Fund | 1,441,786.62 |
| 209 | Drainage Fees Fund | 931,844.90 |
| 213 | Supplemental Law Enforcement Services Fund (SLESF) | (23,825.35) |
| 214 | Traffic Impact Fees Fund | 3,723,609.69 |
| 216 | HUD -Rental Rehabilitation Program Fund | (577.96) |
| 217 | Narcotics Forfeiture Fund | 1,181,947.66 |
| 218 | Fire System Development Fees Fund | 727,831.63 |
| 219 | Local Law Enforcement Block | 30,583.45 |
| 220 | Office of Traffic Safety | (73,467.14) |
| 221 | Homelessness Prevention | (24,130.62) |
| 260 | Airborne Law Enforcement Fund | 613,337.04 |
| 261 | Helicopter Replacement Fund | 3,169,274.32 |
| 401 | Capital Outlay Fund | 559,889.61 |
| 403 | Measure "M" Construction Fund | 4,732,066.55 |
| 409 | Vehicle Parking District #1 Fund | 2,245.09 |
| 410 | Vehicle Parking District #2 Fund | 2,082.59 |
| 413 | Golf Course Improvement Fund | 675,844.62 |
| 414 | Measure "M" Turnback Fund | 2,826,071.88 |
| 415 | Measure "M" 2 Fund | (417,114.09) |
| 416 | Measure "M" 2 Fairshare Fund | 696,613.08 |
| 601 | Equipment Maintenance and Replacement Fund | 4,858,798.72 |
| 602 | Self-Insurance Fund - Liab/W.C./Unemployment | 6,035,276.59 |
| 701 | Deposits | 2,243,100.25 |
| 705 | Costa Mesa Community Foundation | 109,272.45 |
| 755 | Police Retirement - 1% Supplemental | 1,351,490.63 |
| | Total Pooled Cash & Investments | <u>\$ 60,995,205.72</u> |

*Council has designated \$14.125 million in general fund balance for emergency reserves.

CITY OF COSTA MESA
INVESTMENT ACTIVITY SUMMARY
FOR THE MONTH OF NOVEMBER 2011

| | | |
|---|---|-------------------------|
| Total outstanding investments as of October 31, 2011 | | \$ 65,242,510.15 |
| | <u>PURCHASE</u> <u>MATURITY</u> <u>COUPON</u> <u>YIELD TO</u> <u>DATE</u> <u>DATE</u> <u>RATE</u> <u>MATURITY</u> <u>COST</u> | |
| Investment Purchases: | | - |
| Total Purchases: None | | - |
| Investment Maturities: | | - |
| Total Maturities: None | | - |
| Investment Calls: | | - |
| Total Calls: None | | - |
| Investments Sold: | | - |
| Total Sales: None | | - |
| Net increase (decrease) in LAIF | | (2,900,000.00) |
| Net increase (decrease) in Sweep Account | | - |
| Total outstanding investments as of November 30, 2011 | | <u>\$ 62,342,510.15</u> |

CITY OF COSTA MESA
 INVESTMENTS AND INVESTMENT EARNINGS
 AS OF NOVEMBER 30, 2011

| INVESTMENT | CUSIP NUMBER | INTEREST RATE | YIELD TO MATURITY | COST | INTEREST EARNED AT 11/30/2011 | PURCHASE DATE | CALL DATE | MATURITY DATE |
|--|--------------|---------------|-------------------|-------------------------|-------------------------------|---------------|------------|---------------|
| Local Agency Investment Fund | S99998260 | 0.401% | | \$ 33,609,910.15 | | 11/30/2011 | | 11/30/2011 |
| Wells Fargo Treas Plus Money Mkt Fd | N/A | 0.000% | | - | | 11/30/2011 | | 11/30/2011 |
| HSBC Corp. Note | 40429CFZ0 | 5.900% | 5.216% | 3,081,600.00 | 79,650.00 | 12/11/2007 | | 06/19/2012 |
| Merrill Lynch Corp. Note | 59018YJ36 | 6.050% | 5.204% | 2,585,000.00 | 44,534.70 | 01/17/2008 | | 08/15/2012 |
| Goldman Sachs Corp. Note | 38144LAC4 | 5.450% | 5.257% | 3,024,900.00 | 13,624.98 | 11/08/2007 | | 11/01/2012 |
| Morgan Stanley Corp. Note | 6174462T5 | 5.250% | 5.349% | 1,991,400.00 | 8,458.32 | 11/02/2007 | | 11/02/2012 |
| Federal National Mortgage Association | 3136F9FL2 | 4.000% | 4.000% | 5,000,000.00 | 25,555.55 | 04/15/2008 | 07/15/2008 | 04/15/2013 |
| Federal National Mortgage Association | 3136F9GW7 | 4.050% | 4.050% | 2,000,000.00 | 9,675.00 | 04/18/2008 | 07/18/2008 | 04/18/2013 |
| Federal Farm Credit Bank | 31331KJT8 | 1.340% | 1.340% | 2,000,000.00 | 2,158.88 | 05/02/2011 | 05/02/2012 | 05/02/2014 |
| Federal Farm Credit Bank | 31331KNR7 | 1.370% | 1.370% | 2,000,000.00 | 12,634.44 | 06/15/2011 | 12/15/2011 | 12/15/2014 |
| Federal Home Loan Mortgage Corporation | 3134G2XR8 | 1.200% | 1.200% | 2,000,000.00 | 6,466.66 | 08/24/2011 | 02/24/2012 | 02/24/2015 |
| | | | | \$ 57,292,810.15 | 202,758.53 | | | |
| <u>DEFAULTED SECURITIES</u> | | | | | | | | |
| Lehman Bros. Hldg. Corp. Note | 52517PR60 | 5.250% | 5.149% | \$ 2,509,000.00 | - | 01/23/2008 | | 02/06/2012 |
| Lehman Bros. Hldg. Corp. Note | 5252M0BZ9 | 5.625% | 5.250% | 2,540,700.00 | - | 01/25/2008 | | 01/24/2013 |
| | | | | \$ 5,049,700.00 | - | | | |
| TOTAL | | | | \$ 62,342,510.15 | 202,758.53 | | | |

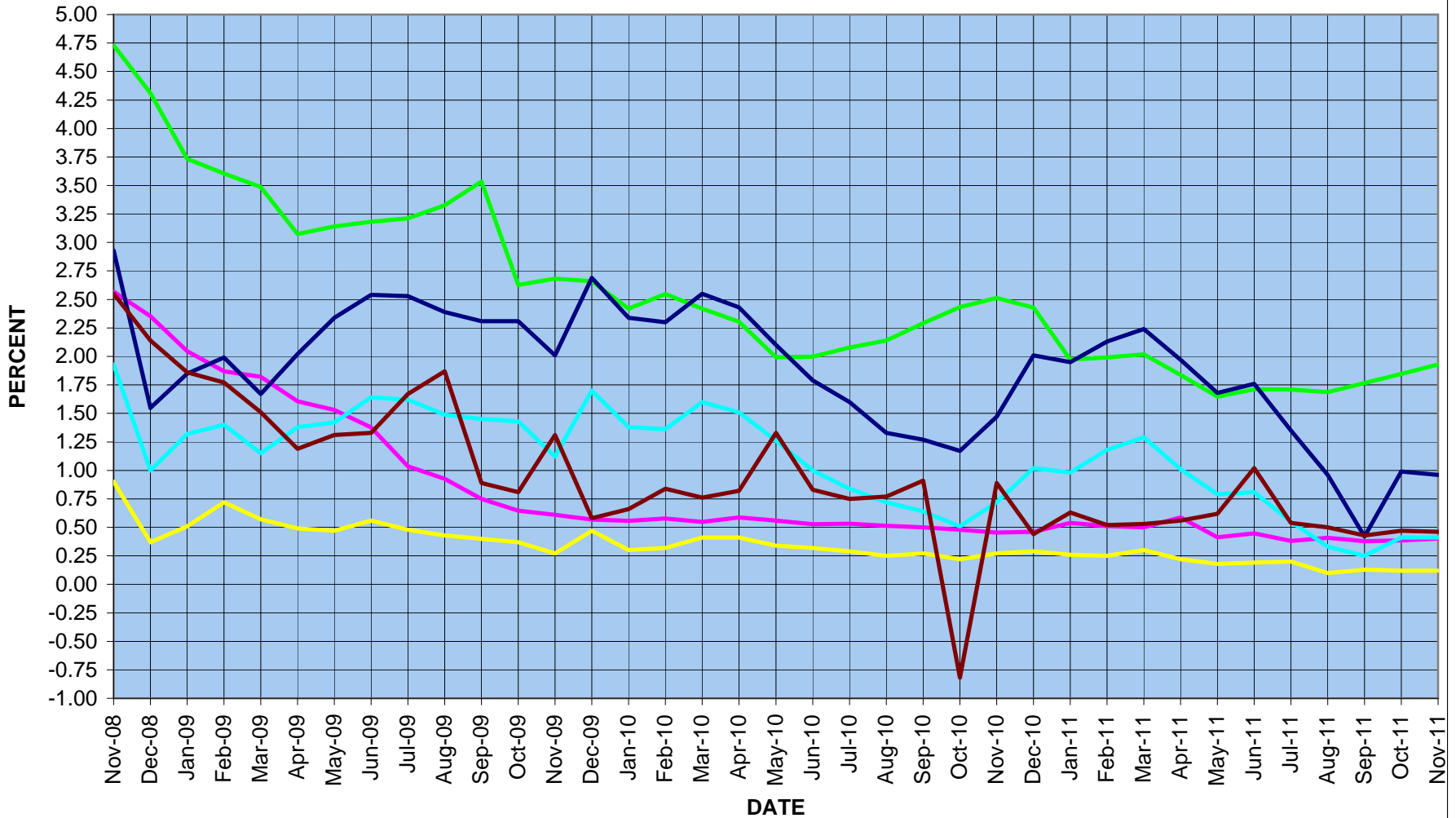
KEY: BA - Banker's Acceptance
 CD - Certificate of Deposit
 CP - Commercial Paper

FNMA - Federal National Mortgage Corporation
 FHLMC - Federal Home Loan Mortgage Corporation
 MTCN - Medium Term Corporate Note

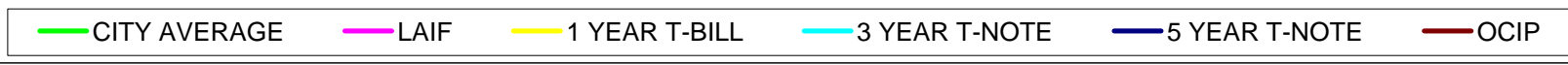
FFCB - Federal Farm Credit Bank
 FHLB - Federal Home Loan Bank
 STP - State Treasurers Pool

SW - Sweep

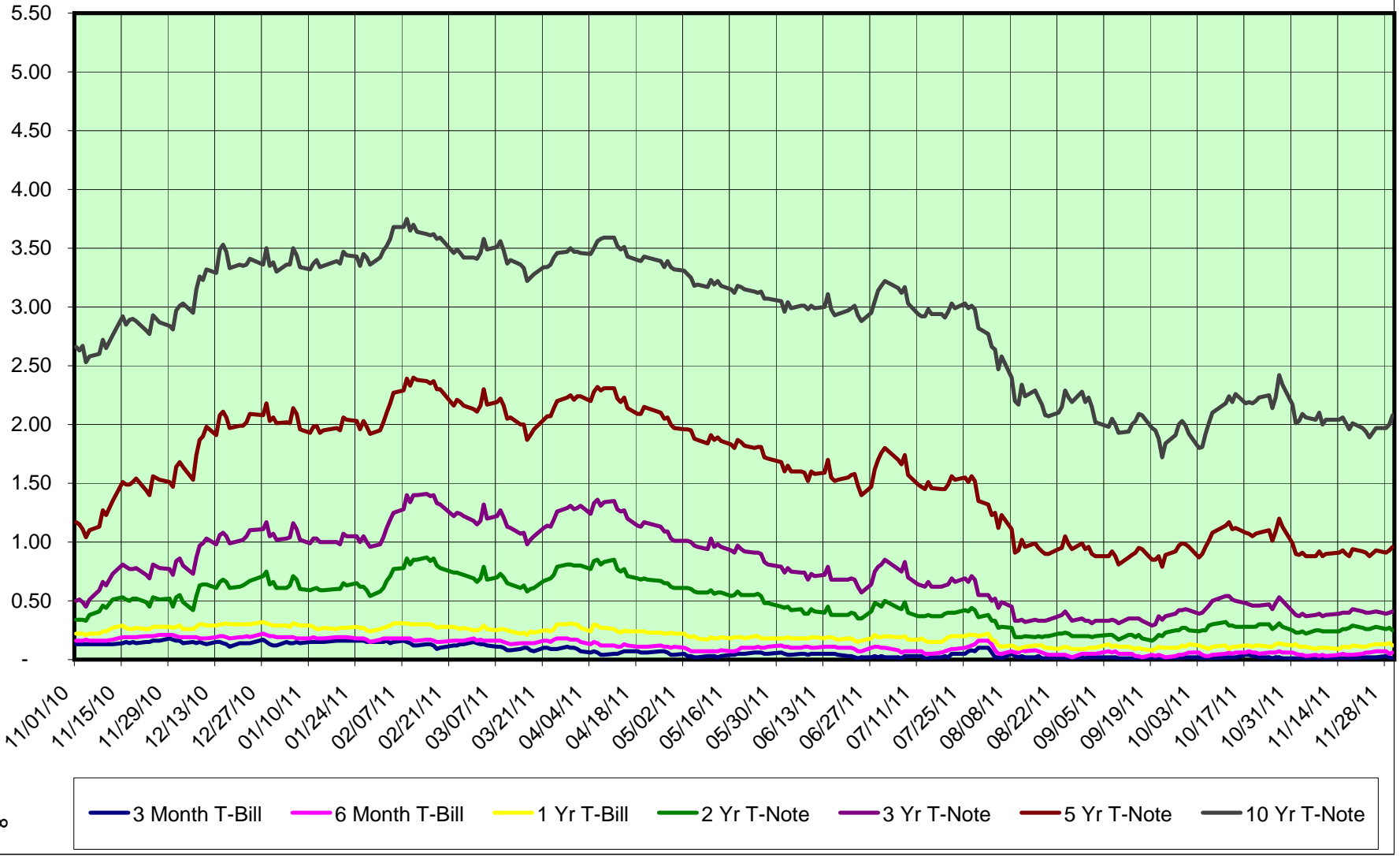
CITY OF COSTA MESA - PORTFOLIO INTEREST RATE INFORMATION AS OF NOVEMBER 30, 2011



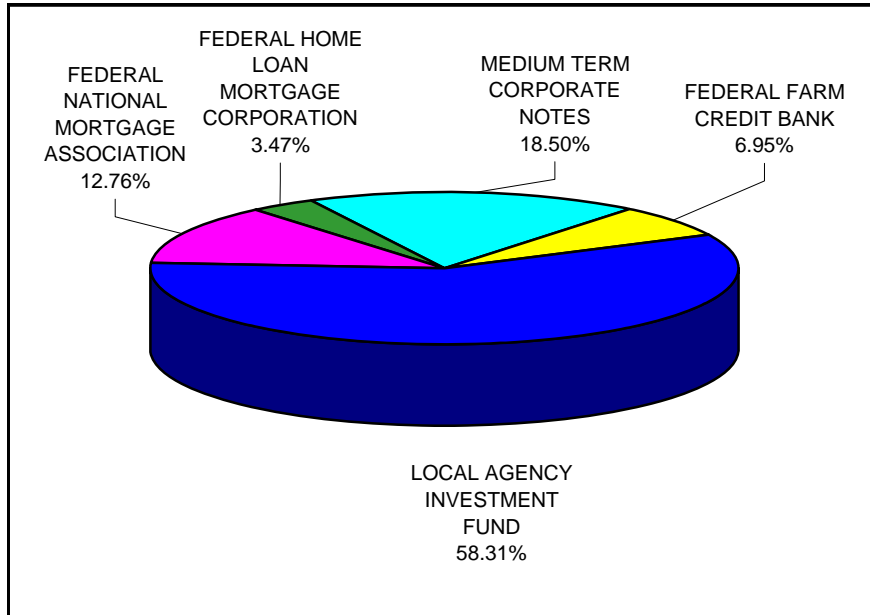
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2011/2012 Market Rates as of November 30, 2011



CITY OF COSTA MESA - ASSET ALLOCATION AS OF NOVEMBER 30, 2011



| | | In Thousands |
|--|--|-------------------------|
| ■ | Local Agency Investment Fund | \$ 33,610 |
| ■ | Federal Home Loan Mortgage Corporation | 2,000 |
| ■ | Federal Farm Credit Bank | 4,000 |
| ■ | Federal National Mortgage Association | 7,000 |
| ■ | Medium Term Corporate Notes | 10,683 |
| | Total | <u>\$ 57,293</u> |

% Rounded 5/4

*Total does not include Lehman Bros. Securities as the recovery of principal is undetermined at this time.

CITY OF COSTA MESA
SUMMARY OF POLICY LIMITATIONS
AS OF NOVEMBER 30, 2011

| DESCRIPTION | CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 11/30/11 | MAXIMUM PERCENTAGE |
|---|--|-----------------------|
| U.S. Treasury Bills | 0.00% | UNLIMITED |
| U.S. Treasury Notes | 0.00% | UNLIMITED |
| Federal Agency Issues: | | |
| FICB | 0.00% | 60.00% |
| FFCB | 6.80% | 60.00% |
| FLB | 0.00% | 60.00% |
| FHLB | 0.00% | 60.00% |
| FNMA | 12.48% | 60.00% |
| FHLMC | 3.40% | 60.00% |
| Other * | 0.00% | 60.00% |
| Banker's Acceptances | 0.00% | 40.00% |
| Certificates of Deposit | 0.00% | UNLIMITED |
| Negotiable Certificates of Deposits | 0.00% | 30.00% |
| Commercial Paper | 0.00% | 10% or 25% (1) |
| Medium Term Corporate Notes | 18.09% | 30.00% |
| Repurchase Agreements | 0.00% | UNLIMITED |
| Reverse Repurchase Agreements | 0.00% | 10% of base |
| LAIF (Local Agency Investment Fund) | 57.02% | \$ 50,000,000.00 |
| Current Balance | | \$ 33,609,910.15 |
| Orange County Treasurer's Pool | 0.00% | 35.00% |
| Money Market Mutual Funds (Sweep Account) | 0.00% | 10% per fund (2) |
| Asset-Backed and Mortgage-Backed Securities | 0.00% | 20.00% |
| TOTAL | 97.79% | (3) |
| % of Portfolio Maturing within one year | 76.81% | (3) no less than 20% |
| % of Portfolio Maturing or Callable within one year | 87.24% | (3) |

(1) Current dollar weighted average maturity as of 11/30/11 is 0 days.

(2) Also limited to 20% in total.

(3) Does not include defaulted Lehman Bros . Securities

*These securities are not considered for purchases: SBA, GNMA, TVA and SALLIEMAE

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY INSTRUMENT TYPE
AS OF NOVEMBER 30, 2011**

| <u>INSTITUTION</u> | <u>TYPE OF INVESTMENT</u> | <u>PURCHASE DATE</u> | <u>MATURITY DATE</u> | <u>INTEREST RATE</u> | <u>COST</u> | <u>MARKET VALUE AS OF 11/30/11</u> | <u>% of PORTFOLIO</u> | <u>SPECIAL CHARACTERISTICS OF INVESTMENTS</u> |
|---|------------------------------|----------------------|----------------------|----------------------|-------------------------|------------------------------------|-----------------------|---|
| Local Agency Investment Fund | POOL | N/A | CONTINUOUS | 0.401 % (1) | \$ 33,609,910.15 | 33,609,910.15 | 57.02% | Local Agency Investment Fund - State Treasurer's Pool |
| Wells Fargo Treas Plus Money Mkt | Money Market Fund | N/A | CONTINUOUS | - % (2) | - | - | 0.00% | Stagecoach Funds Inc. Treasury Money Market Mutual Fund |
| <u>Medium Term Corporate Notes:</u> | | | | | | | | |
| Morgan Stanley | HSBC Corp. Note | 12/11/2007 | 06/19/2012 | 5.900 % (4) | 3,081,600.00 | 3,063,930.00 | | Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - A3/A neg outlook) |
| Morgan Stanley | Merrill Lynch Corp. Note | 01/17/2008 | 08/15/2012 | 6.050 % (4) | 2,585,000.00 | 2,522,625.00 | | Bullet; Moody's/S & P rated as A1/A+ *(CR - BAA1/A neg/neg outlook) |
| Morgan Stanley | Goldman Sachs Corp. Note | 11/08/2007 | 11/01/2012 | 5.450 % (4) | 3,024,900.00 | 3,065,370.00 | | Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - A1/A neg outlook) |
| Morgan Stanley | Morgan Stanley Corp. Note | 11/02/2007 | 11/02/2012 | 5.250 % (4) | 1,991,400.00 | 2,010,720.00 | | Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - A2/A neg outlook) |
| Total Medium Term Corporate Notes | | | | | <u>10,682,900.00</u> | <u>10,662,645.00</u> | <u>18.09%</u> | |
| <u>Federal Farm Credit Bank:</u> | | | | | | | | |
| De La Rosa | FFCB | 05/02/2011 | 05/02/2014 | 1.340 % (4) | 2,000,000.00 | 2,007,400.00 | | Fixed rate, callable with 5 days on or after 05/02/12 |
| De La Rosa | FFCB | 06/15/2011 | 12/15/2014 | 1.370 % (4) | 2,000,000.00 | 2,000,580.00 | | Fixed rate, callable with 5 days on or after 12/15/11 |
| Total Federal Farm Credit Bank | | | | | <u>4,000,000.00</u> | <u>4,007,980.00</u> | <u>6.80%</u> | % Rounded 5/4 |
| <u>Federal Home Loan Mortgage Corporation:</u> | | | | | | | | |
| De La Rosa | FHLMC | 08/24/2011 | 02/24/2015 | 1.200 % (4) | 2,000,000.00 | 2,001,700.00 | | Fixed rate, callable with 5 days notice on or after 02/24/12 |
| Total Federal Home Loan Mortgage Corporation | | | | | <u>2,000,000.00</u> | <u>2,001,700.00</u> | <u>3.40%</u> | % Rounded 5/4 |
| <u>Federal National Mortgage Association:</u> | | | | | | | | |
| Morgan Keegan | FNMA | 04/15/2008 | 04/15/2013 | 4.000 % (4) | 5,000,000.00 | 5,252,800.00 | | Fixed rate, callable with 10 days notice only on 07/15/08 |
| Morgan Stanley | FNMA | 04/18/2008 | 04/18/2013 | 4.050 % (4) | 2,000,000.00 | 2,103,060.00 | | Fixed rate, callable with 10 days notice only on 07/18/08 |
| Total Federal National Mortgage Association | | | | | <u>7,000,000.00</u> | <u>7,355,860.00</u> | <u>12.48%</u> | % Rounded 5/4 |
| | | | | | \$ 57,292,810.15 | 57,638,095.15 | | |
| <u>DEFAULTED SECURITIES</u> | | | | | | | | |
| Morgan Keegan | Lehman Bros. Hldg Corp. Note | 01/23/2008 | 02/06/2012 | 5.250 % (4) | 2,509,000.00 | 643,750.00 | | Bullet; Moody's/S & P rated as A1/A+ *(CR - DEFAULT) |
| Morgan Keegan | Lehman Bros. Hldg Corp. Note | 01/25/2008 | 01/24/2013 | 5.625 % (4) | 2,540,700.00 | 659,375.00 | | Bullet; Moody's/S & P rated as A1/A+e *(CR - DEFAULT) |
| Total Securities in Default | | | | | <u>5,049,700.00</u> | <u>1,303,125.00</u> | <u>2.21%</u> | % Rounded 5/4 |
| Total Outstanding Investments | | | | | <u>\$ 62,342,510.15</u> | <u>58,941,220.15</u> | <u>100.00%</u> | *CR = Current rating as of October 11, 2011 |

INTEREST RATE LEGEND

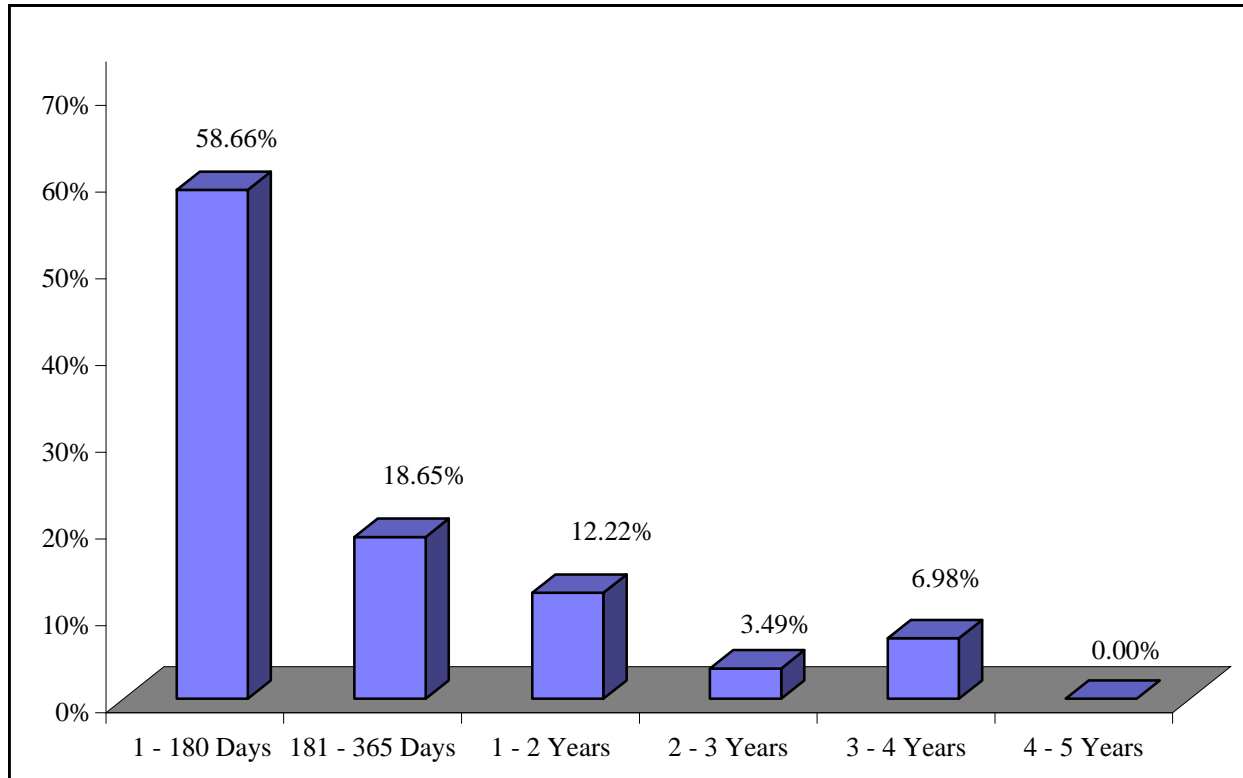
(1) LAIF rate quoted as of the last day of the month

(2) Yield quoted by the Fund as of the last day of the month

(3) Money Market Equivalent Yield at time of purchase

(4) Coupon rate of instrument

CITY OF COSTA MESA - MATURITIES DISTRIBUTION AS OF NOVEMBER 30, 2011



| | In Thousands |
|----------------|-------------------------|
| 1 - 180 Days | \$ 33,610 |
| 181 - 365 Days | 10,683 |
| 1 - 2 Years | 7,000 |
| 2 - 3 Years | 2,000 |
| 3 - 4 Years | 4,000 |
| 4 - 5 Years | - |
| * TOTAL | <u>\$ 57,293</u> |

% Rounded 5/4

*Total does not include Lehman Bros. Securities as the recovery of principal is undetermined at this time.

CITY OF COSTA MESA
PERCENT OF PORTFOLIO INVESTED IN FEDERAL AGENCIES
DECEMBER 2007 THROUGH NOVEMBER 2011

| <u>MONTH</u> | <u>% OF PORTFOLIO BY AGENCY</u> | | | | <u>TOTAL % OF</u> |
|----------------|---------------------------------|--------------|--------------|---------------|-------------------------|
| | <u>FFCB</u> | <u>FHLB</u> | <u>FHLMC</u> | <u>FNMA</u> | <u>PORTFOLIO IN</u> |
| | | | | | <u>FEDERAL AGENCIES</u> |
| December 2007 | 7.04% | 36.23% | 17.85% | 11.14% | 72.26% |
| January 2008 | 6.56% | 28.09% | 10.96% | 10.37% | 55.97% |
| February 2008 | 1.91% | 23.35% | 8.29% | 3.46% | 37.01% |
| March 2008 | 2.02% | 15.60% | 7.76% | 3.66% | 29.04% |
| April 2008 | 4.77% | 8.50% | 10.15% | 14.90% | 38.32% |
| May 2008 | 4.43% | 9.66% | 15.61% | 13.81% | 43.50% |
| June 2008 | 2.80% | 3.73% | 19.80% | 14.55% | 40.88% |
| July 2008 | 5.91% | 3.92% | 22.65% | 17.81% | 50.29% |
| August 2008 | 6.27% | 4.17% | 26.10% | 18.85% | 55.39% |
| September 2008 | 7.31% | 4.85% | 30.48% | 20.79% | 63.43% |
| October 2008 | 7.74% | 5.14% | 31.08% | 18.67% | 62.62% |
| November 2008 | 3.91% | 5.26% | 28.76% | 19.21% | 57.15% |
| December 2008 | 3.80% | 2.60% | 16.50% | 18.87% | 41.77% |
| January 2009 | 0.00% | 2.35% | 7.99% | 17.06% | 27.40% |
| February 2009 | 0.00% | 2.48% | 2.42% | 18.05% | 22.94% |
| March 2009 | 0.00% | 2.60% | 0.00% | 17.63% | 20.22% |
| April 2009 | 5.23% | 2.17% | 14.19% | 9.38% | 30.97% |
| May 2009 | 5.57% | 2.29% | 15.02% | 9.88% | 32.76% |
| June 2009 | 5.87% | 2.41% | 15.84% | 10.41% | 34.53% |
| July 2009 | 6.25% | 2.56% | 16.87% | 11.10% | 36.78% |
| August 2009 | 6.63% | 2.71% | 17.91% | 11.84% | 39.09% |
| September 2009 | 7.27% | 2.96% | 19.61% | 12.98% | 42.84% |
| October 2009 | 7.37% | 2.99% | 12.51% | 13.14% | 36.01% |
| November 2009 | 7.58% | 3.07% | 12.85% | 13.63% | 37.12% |
| December 2009 | 7.57% | 3.06% | 12.85% | 13.45% | 36.92% |
| January 2010 | 7.02% | 2.83% | 7.01% | 12.54% | 29.40% |
| February 2010 | 7.45% | 2.99% | 7.44% | 13.38% | 31.25% |
| March 2010 | 7.76% | 3.12% | 0.00% | 11.55% | 22.43% |
| April 2010 | 0.00% | 3.07% | 0.00% | 11.46% | 14.53% |
| May 2010 | 0.00% | 0.00% | 0.00% | 10.29% | 10.29% |
| June 2010 | 0.00% | 0.00% | 0.00% | 10.56% | 10.56% |
| July 2010 | 0.00% | 0.00% | 0.00% | 11.09% | 11.09% |
| August 2010 | 0.00% | 0.00% | 0.00% | 11.62% | 11.62% |
| September 2010 | 0.00% | 0.00% | 0.00% | 12.69% | 12.69% |
| October 2010 | 0.00% | 0.00% | 0.00% | 13.77% | 13.77% |
| November 2010 | 0.00% | 0.00% | 0.00% | 14.35% | 14.35% |
| December 2010 | 0.00% | 0.00% | 0.00% | 13.67% | 13.67% |
| January 2011 | 0.00% | 0.00% | 0.00% | 11.25% | 11.25% |
| February 2011 | 0.00% | 0.00% | 1.51% | 12.75% | 14.26% |
| March 2011 | 0.00% | 0.00% | 1.54% | 13.02% | 14.56% |
| April 2011 | 0.00% | 7.11% | 3.40% | 12.48% | 22.99% |
| May 2011 | 2.60% | 7.26% | 1.29% | 10.92% | 22.07% |
| June 2011 | 7.91% | 6.59% | 1.32% | 11.14% | 26.96% |
| July 2011 | 8.14% | 6.78% | 1.35% | 11.41% | 27.68% |
| August 2011 | 8.24% | 4.11% | 2.74% | 10.16% | 25.25% |
| September 2011 | 6.11% | 1.52% | 3.05% | 11.25% | 21.92% |
| October 2011 | 6.48% | 0.00% | 3.23% | 11.92% | 21.63% |
| November 2011 | <u>6.80%</u> | <u>0.00%</u> | <u>3.40%</u> | <u>12.48%</u> | <u>22.68%</u> |
| AVERAGE | 4.01% | 4.75% | 8.99% | 12.92% | 30.67% |

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY
AS OF NOVEMBER 30, 2011**

| <u>TYPE OF INVESTMENT</u> | <u>PURCHASE DATE</u> | <u>MATURITY DATE</u> | <u>PAR VALUE</u> | <u>COST</u> | <u>MARKET VALUE AS OF MONTH END</u> | <u>ACCRUED INTEREST</u> | <u>GAIN/(LOSS) IF SOLD (1)</u> | |
|--|---------------------------------|----------------------|------------------|-------------------------|-------------------------------------|-------------------------|--------------------------------|-----------------------|
| 2011: | | | | | | | | |
| Local Agency Investment Fund | N/A | CONTINUOUS | \$ 33,609,910.15 | 33,609,910.15 | 33,609,910.15 | - | - | |
| Stagecoach Treasury Money Market Fund | N/A | CONTINUOUS | - | - | - | - | - | |
| | Percent maturing in 2011 | | 53.91% | 33,609,910.15 | 33,609,910.15 | 33,609,910.15 | - | - |
| 2012: | | | | | | | | |
| HSBC Corp. Note | 12/11/2007 | 06/19/2012 | 3,000,000.00 | 3,081,600.00 | 3,063,930.00 | 79,650.00 | (17,670.00) | |
| Merrill Lynch Corp. Note | 01/17/2008 | 08/15/2012 | 2,500,000.00 | 2,585,000.00 | 2,522,625.00 | 44,534.70 | (62,375.00) | |
| Goldman Sachs Corp. Note | 11/08/2007 | 11/01/2012 | 3,000,000.00 | 3,024,900.00 | 3,065,370.00 | 13,624.98 | 40,470.00 | |
| Morgan Stanley Corp. Note | 11/02/2007 | 11/02/2012 | 2,000,000.00 | 1,991,400.00 | 2,010,720.00 | 8,458.32 | 19,320.00 | |
| | Percent maturing in 2012 | | 17.14% | 10,500,000.00 | 10,682,900.00 | 10,662,645.00 | 146,268.00 | (20,255.00) |
| 2013: | | | | | | | | |
| Federal National Mortgage Association | 04/15/2008 | 04/15/2013 | 5,000,000.00 | 5,000,000.00 | 5,252,800.00 | 25,555.55 | 252,800.00 | |
| Federal National Mortgage Association | 04/18/2008 | 04/18/2013 | 2,000,000.00 | 2,000,000.00 | 2,103,060.00 | 9,675.00 | 103,060.00 | |
| | Percent maturing in 2013 | | 11.23% | 7,000,000.00 | 7,000,000.00 | 7,355,860.00 | 35,230.55 | 355,860.00 |
| 2014: | | | | | | | | |
| * Federal Farm Credit Bank | 05/02/2011 | 05/02/2014 | 2,000,000.00 | 2,000,000.00 | 2,007,400.00 | 2,158.88 | 7,400.00 | |
| * Federal Farm Credit Bank | 06/15/2011 | 12/15/2014 | 2,000,000.00 | 2,000,000.00 | 2,000,580.00 | 12,634.44 | 580.00 | |
| | Percent maturing in 2014 | | 6.42% | 4,000,000.00 | 4,000,000.00 | 4,007,980.00 | 14,793.32 | 7,980.00 |
| 2015: | | | | | | | | |
| * Federal Home Loan Mortgage Corporation | 08/24/2011 | 02/24/2015 | 2,000,000.00 | 2,000,000.00 | 2,001,700.00 | 6,466.66 | 1,700.00 | |
| | Percent maturing in 2015 | | 3.21% | 2,000,000.00 | 2,000,000.00 | 2,001,700.00 | 6,466.66 | 1,700.00 |
| Sub-total | | | 55,109,910.15 | 55,292,810.15 | 57,638,095.15 | 202,758.53 | 343,585.00 | |
| <u>DEFAULTED SECURITIES</u> | | | | | | | | |
| Lehman Bros. Hldg. Corp. Note | 01/23/2008 | 02/06/2012 | 2,500,000.00 | 2,509,000.00 | 643,750.00 | - | (1,865,250.00) | |
| Lehman Bros. Hldg. Corp. Note | 01/25/2008 | 01/24/2013 | 2,500,000.00 | 2,540,700.00 | 659,375.00 | - | (1,881,325.00) | |
| | | | 8.10% | 5,000,000.00 | 5,049,700.00 | 1,303,125.00 | - | (3,746,575.00) |
| Total outstanding investments | | | 100.00% | \$ 62,109,910.15 | 62,342,510.15 | 58,941,220.15 | 202,758.53 | (3,401,290.00) |

* Callable

(1) Gain/Loss equals the fair market value as of the month end less the cost.

CITY OF COSTA MESA
SUMMARY OF CASH HELD IN TRUST
AS OF NOVEMBER 30, 2011

Costa Mesa Public Financing Authority Revenue Bonds, 1998 Series A (Public Facilities Project)

Trustee: The Bank of New York Trust Company, N.A.

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|-----------------|----------------------------|---------------------------------------|---------------|------------------------|---------------------|---------------------|------|
| Bond Fund | U.S. Govt. Obligation Fund | Federated U.S. Treasury Cash Reserves | Open | \$ - | - | - | - |
| Reserve Account | U.S. Govt. Obligation Fund | Federated U.S. Treasury Cash Reserves | Open | 1,312,501.47 | 1,312,501.47 | 1,312,501.47 | - |
| Ending Balances | | | | <u>\$ 1,312,501.47</u> | <u>1,312,501.47</u> | <u>1,312,501.47</u> | |

Costa Mesa PFA Refunding Certificates of Participation, 2003 (Public Facilities Project)

Trustee: The Bank of New York Trust Company, N.A.

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|--------------------|----------------------------|--|---------------|------------------------|---------------------|---------------------|-------|
| Lease Payment Fund | U.S. Govt. Obligation Fund | Wells Fargo Treasury Plus Money Market | Open | \$ - | - | - | - |
| Reserve Fund | U.S. Govt. Obligation Fund | Wells Fargo Treasury Plus Money Market | Open | 1,273,250.35 | 1,273,250.35 | 1,273,250.35 | 0.010 |
| Ending Balances | | | | <u>\$ 1,273,250.35</u> | <u>1,273,250.35</u> | <u>1,273,250.35</u> | |

Costa Mesa PFA Revenue Refunding Bonds Series 2006A

Trustee: U. S. Bank Corporate Trust Services

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|---------------------------------|-----------------------------|----------------------|---------------|------------------------|---------------------|---------------------|------|
| Escrow Acct/Capital Improvement | Treasury Obligations Fund | First American Funds | Open | \$ - | - | - | - |
| Capital Improvement Fund | Treasury Obligations Fund | First American Funds | Open | 159,857.29 | 159,857.29 | 159,857.29 | - |
| Local Obligation | Note Secured by Real Estate | City of Costa Mesa | 08/01/2021 | 2,050,000.00 | 2,050,000.00 | 2,050,000.00 | 8.30 |
| Revenue Fund | Treasury Obligations Fund | First American Funds | Open | 53,964.56 | 53,964.56 | 53,964.56 | - |
| Reserve Fund | Treasury Obligations Fund | First American Funds | Open | 224,755.00 | 224,755.00 | 224,755.00 | - |
| Expense Fund | Treasury Obligations Fund | First American Funds | Open | 4,987.34 | 4,987.34 | 4,987.34 | - |
| Surplus Fund | Treasury Obligations Fund | First American Funds | Open | 42,214.77 | 42,214.77 | 42,214.77 | - |
| Ending Balances | | | | <u>\$ 2,535,778.96</u> | <u>2,535,778.96</u> | <u>2,535,778.96</u> | |

Costa Mesa PFA Certificates of Participation, 2007 (Police Facility Expansion & Renovation Project)

Trustee: The Bank of New York Mellon Trust Company, N.A.

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|--------------------|----------------------------|--|---------------|------------------------|---------------------|---------------------|------|
| Lease Payment Fund | U.S. Govt. Obligation Fund | Wells Fargo Treasury Plus Money Market | Open | - | - | - | - |
| Reserve Fund | U.S. Govt. Obligation Fund | Wells Fargo Treasury Plus Money Market | Open | 2,297,204.39 | 2,297,204.39 | 2,297,204.39 | - |
| Project Fund | U.S. Govt. Obligation Fund | Wells Fargo Treasury Plus Money Market | Open | - | - | - | - |
| Ending Balances | | | | <u>\$ 2,297,204.39</u> | <u>2,297,204.39</u> | <u>2,297,204.39</u> | |

City of Costa Mesa Workers Compensation Account

Trustee: Corvel Enterprise Company, Inc.

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|----------------------|------------------|-----------------|---------------|----------------------|-------------------|-------------------|------|
| Workers Compensation | Checking Account | Bank of America | Open | \$ 150,000.00 | 150,000.00 | 150,000.00 | - |
| Ending Balances | | | | <u>\$ 150,000.00</u> | <u>150,000.00</u> | <u>150,000.00</u> | |

800 MHz Quarterly Reserve Fund

Trustee: Orange County Investment Pool

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|-----------------------------|-------------------|-------------------------------|---------------|----------------------|-------------------|-------------------|------|
| Reserve Fund | Money Market Fund | Orange County Investment Pool | Open | \$ 7,978.99 | 7,978.99 | 7,978.99 | (1) |
| Cost Sharing Infrastructure | Money Market Fund | Orange County Investment Pool | Open | 97,515.41 | 97,515.41 | 97,515.41 | |
| Ending Balances | | | | <u>\$ 105,494.40</u> | <u>105,494.40</u> | <u>105,494.40</u> | |

All American Asphalt/City of Costa Mesa Retention Escrow Account #1852

Trustee: Community Bank

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|-----------------|-------------------|-------------------------------------|---------------|----------------------|-------------------|-------------------|------|
| Escrow Account | Money Market Fund | Community Bank Money Market Account | Open | 206,692.23 | 206,692.23 | 206,692.23 | (1) |
| Ending Balances | | | | <u>\$ 206,692.23</u> | <u>206,692.23</u> | <u>206,692.23</u> | |

Harbor Mesa LLC/City of Costa Mesa Cash Bond Account #10030-0001COL

Trustee: Community Bank

| Fund | Investment Type | Issuer | Maturity Date | Cost | Par | Market Value | Rate |
|-----------------|-----------------|---------------|---------------|----------------------|-------------------|-------------------|------|
| Escrow Account | Savings Account | Comerica Bank | Open | 732,373.00 | 732,373.00 | 732,373.00 | (1) |
| Ending Balances | | | | <u>\$ 732,373.00</u> | <u>732,373.00</u> | <u>732,373.00</u> | |

GRAND TOTALS

\$ 8,613,294.80 \$ 8,613,294.80 \$ 8,613,294.80

Market Values provided by U.S. Bank Corporate Trust Services, The Bank of New York Mellon Trust Company, N.A., 1st Enterprise Bank, Community Bank, Bank of Sacramento, City National Bank, Union Bank, Commerce West Bank, and the County of Orange

(1) Monthly rates/balances are not available. Balances are as of June 30, 2011.

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS
AS OF NOVEMBER 30, 2011**

| TYPE OF INVESTMENT | PURCHASE DATE | MATURITY DATE | CALL DATE | DAYS TO MATURITY | INTEREST RATE | YIELD TO MATURITY | COST |
|--|---------------|---------------|------------|------------------|---------------|-------------------|------------------|
| LOCAL AGENCY INVESTMENT FUND | | | | 1 | 0.401 % | 0.401 % | \$ 33,609,910.15 |
| WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND | | | | 1 | - % | - % | - |
| HSBC Corp. Note | 12/11/2007 | 06/19/2012 | | 202 | 5.900 % | 5.216 % | 3,081,600.00 |
| Merrill Lynch Corp. Note | 01/17/2008 | 08/15/2012 | | 259 | 6.050 % | 5.204 % | 2,585,000.00 |
| Goldman Sachs Corp. Note | 11/08/2007 | 11/01/2012 | | 337 | 5.450 % | 5.257 % | 3,024,900.00 |
| Morgan Stanley Corp. Note | 11/02/2007 | 11/02/2012 | | 338 | 5.250 % | 5.349 % | 1,991,400.00 |
| FNMA | 04/15/2008 | 04/15/2013 | 07/15/2008 | 502 | 4.000 % | 4.000 % | 5,000,000.00 |
| FNMA | 04/18/2008 | 04/18/2013 | 07/18/2008 | 505 | 4.050 % | 4.050 % | 2,000,000.00 |
| FFCB | 05/02/2011 | 05/02/2014 | 05/02/2012 | 884 | 1.340 % | 1.340 % | 2,000,000.00 |
| FFCB | 06/15/2011 | 12/15/2014 | 12/15/2011 | 1,111 | 1.370 % | 1.370 % | 2,000,000.00 |
| FHLMC | 08/24/2011 | 02/24/2015 | 02/24/2012 | 1,182 | 1.200 % | 1.200 % | 2,000,000.00 |
| Total outstanding investments | | | | | | | \$ 57,292,810.15 |

WEIGHTED AVERAGE:

| | |
|----------------------------------|----------|
| INTEREST RATE OF PORTFOLIO | 1.930% |
| YIELD TO MATURITY OF PORTFOLIO | 1.848% |
| MATURITY OF PORTFOLIO | 226 DAYS |
| MATURITY OF PORTFOLIO LESS POOLS | 546 DAYS |

DEFAULTED SECURITIES

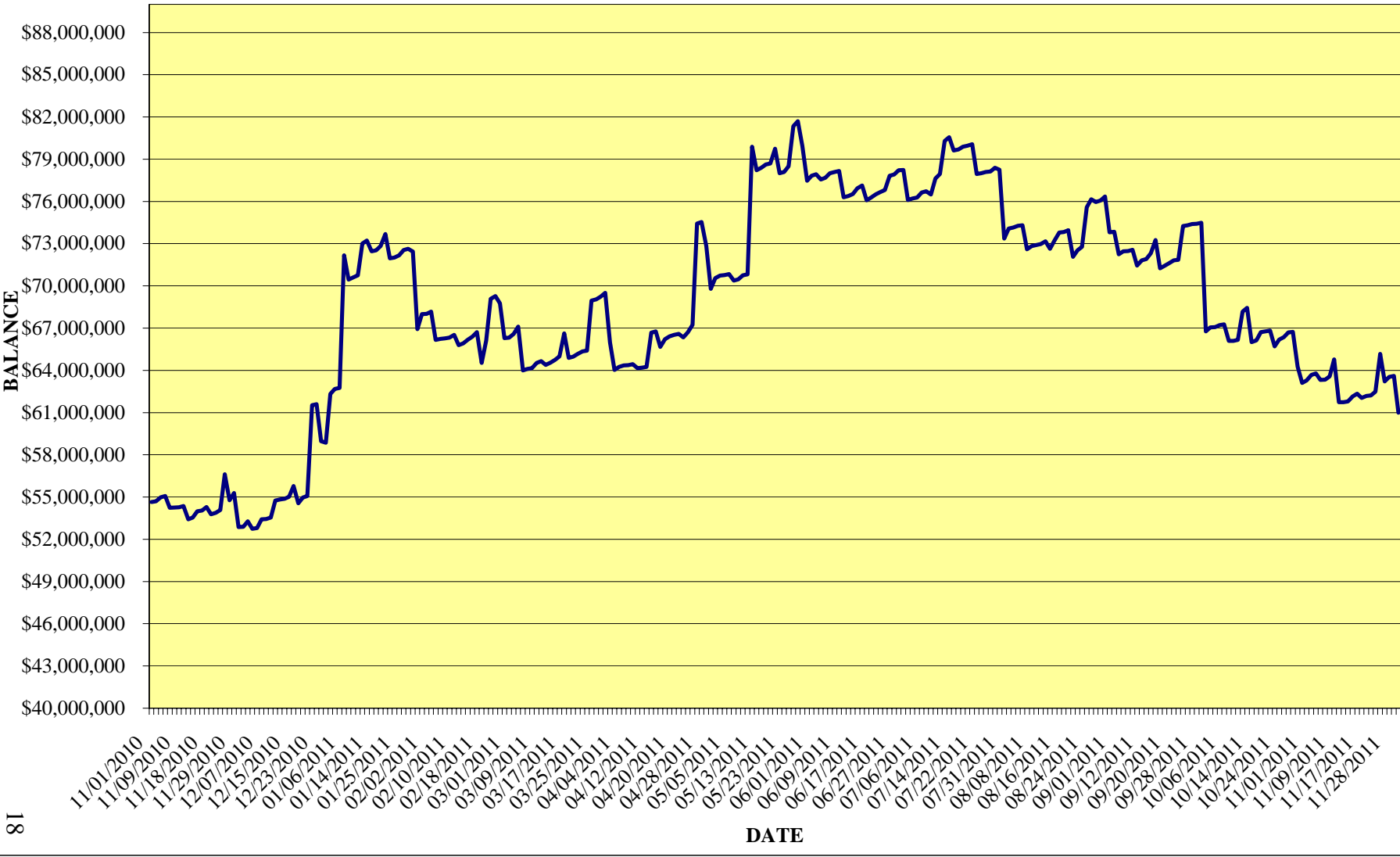
| | | | | | | | |
|--------------------------------|------------|------------|--|-----|---------|---------|-----------------|
| *Lehman Bros. Hldg. Corp. Note | 01/23/2008 | 02/06/2012 | | 68 | 5.250 % | 5.149 % | 2,509,000.00 |
| *Lehman Bros. Corp. Note | 01/25/2008 | 01/24/2013 | | 421 | 5.625 % | 5.250 % | 2,540,700.00 |
| | | | | | | | \$ 5,049,700.00 |

*Lehman Bros. filed for bankruptcy on September 15, 2008. Therefore, the stated rate of return on the original purchase cost of the bonds held is not included in the portfolio interest calculation. The estimated recovery of principal on these securities is undetermined but may vary as widely as \$0.10 to \$0.85 cents on the dollar.

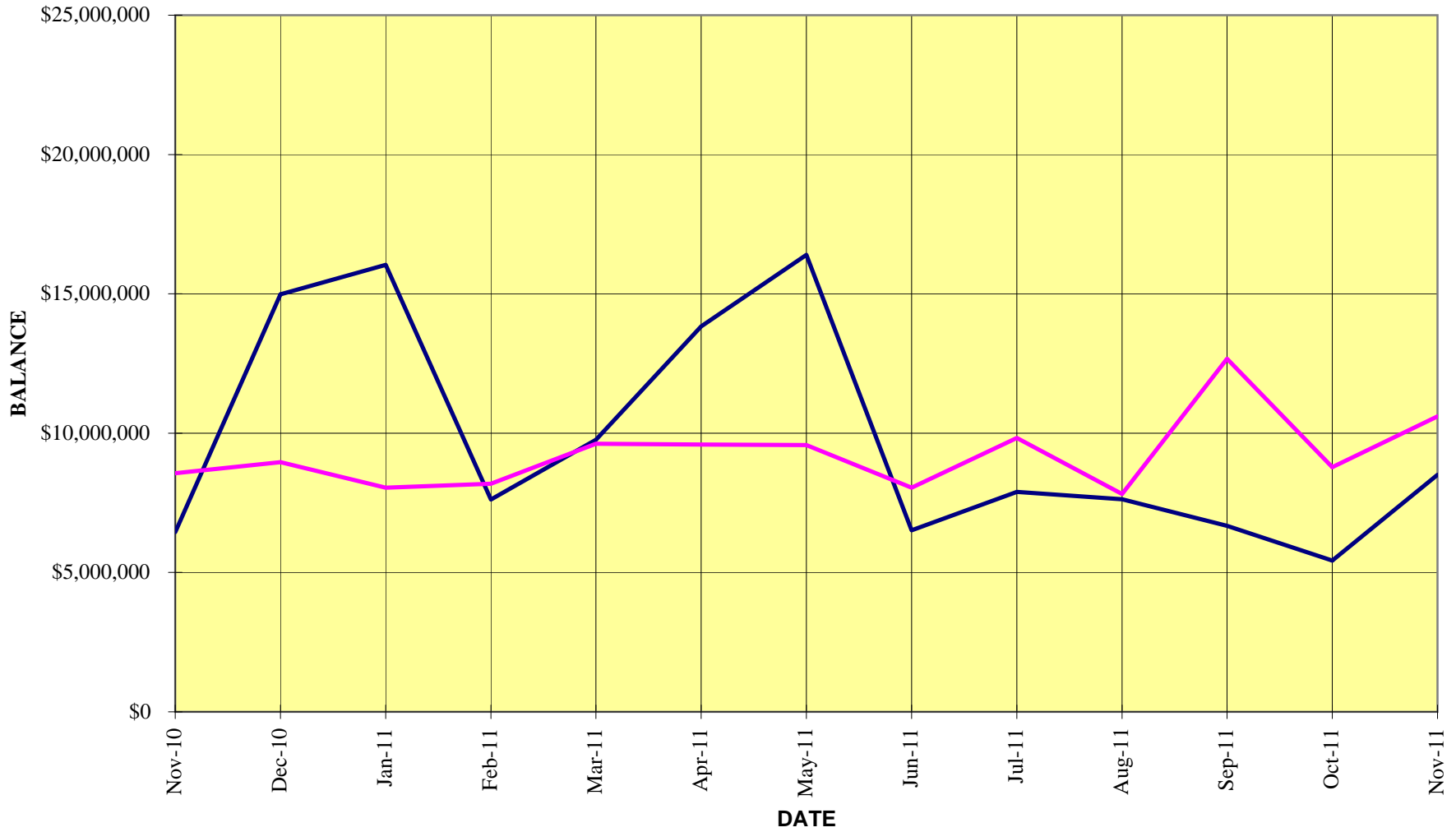
**CITY OF COSTA MESA
CALL SCHEDULE
AS OF NOVEMBER 30, 2011**

| <u>INSTITUTION</u> | <u>TYPE OF INVESTMENT</u> | <u>PURCHASE DATE</u> | <u>MATURITY DATE</u> | <u>COUPON</u> | <u>YIELD TO MATURITY</u> | <u>YIELD TO CALL</u> | <u>CALL DATE</u> | <u>COST</u> |
|--------------------|---------------------------|----------------------|----------------------|---------------|--------------------------|----------------------|------------------|------------------------|
| DE LA ROSA | FFCB | 06/15/2011 | 12/15/2014 | 1.370% | 1.370% | 1.370% | 12/15/2011 | \$ 2,000,000.00 |
| DE LA ROSA | FHLMC | 08/24/2011 | 02/24/2015 | 1.200% | 1.200% | 1.200% | 02/24/2012 | 2,000,000.00 |
| DE LA ROSA | FFCB | 05/02/2011 | 05/02/2014 | 1.340% | 1.340% | 1.340% | 05/02/2012 | 2,000,000.00 |
| | | | | | | | TOTAL | <u>\$ 6,000,000.00</u> |

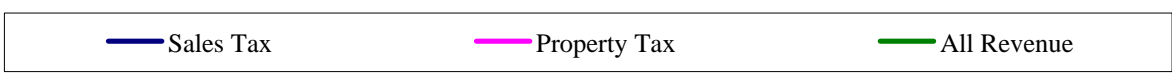
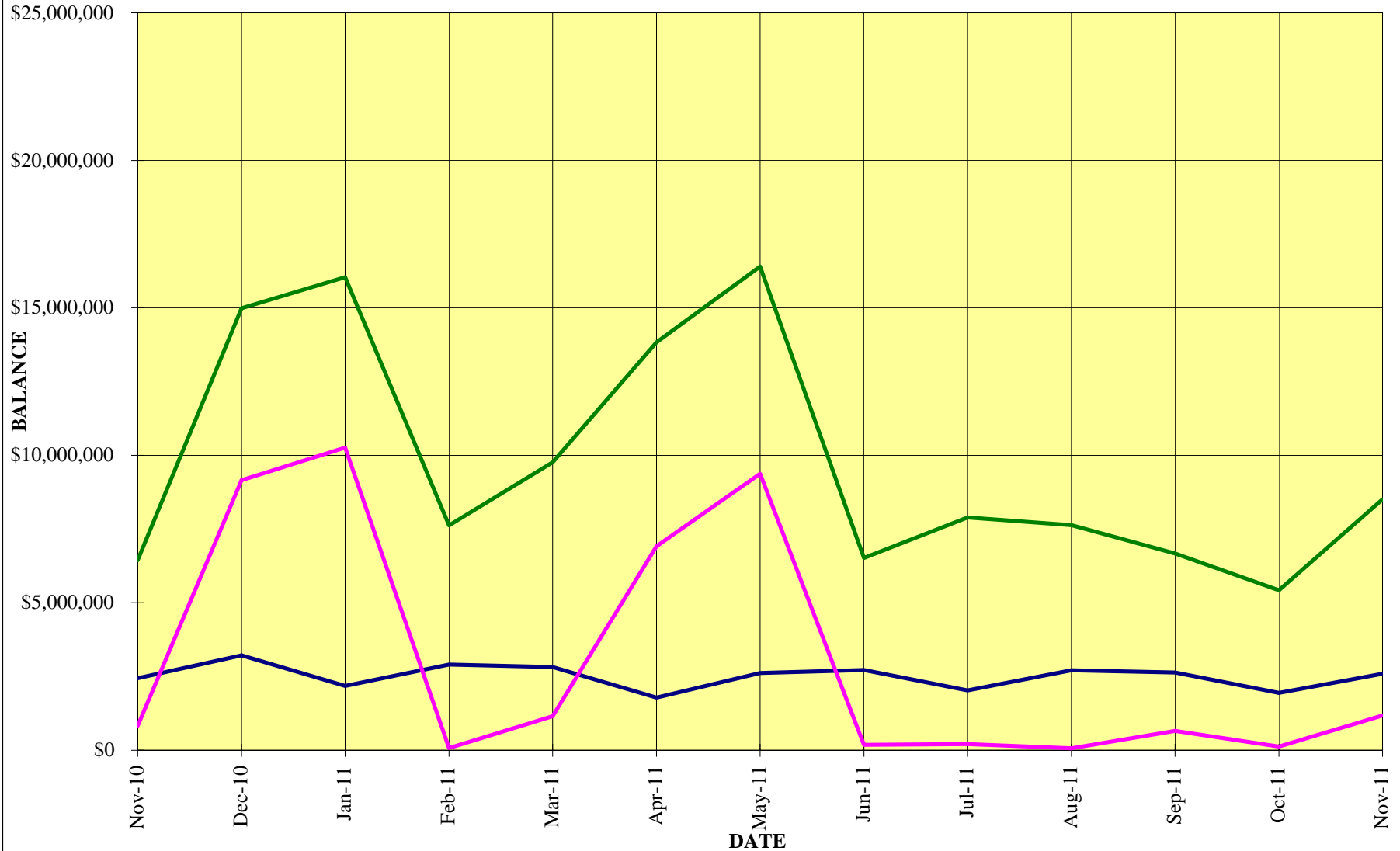
**CITY OF COSTA MESA DAILY CASH BALANCES
AS OF NOVEMBER 30, 2011**



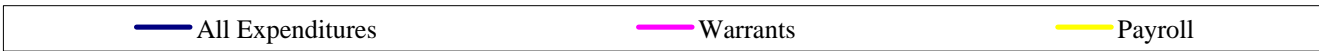
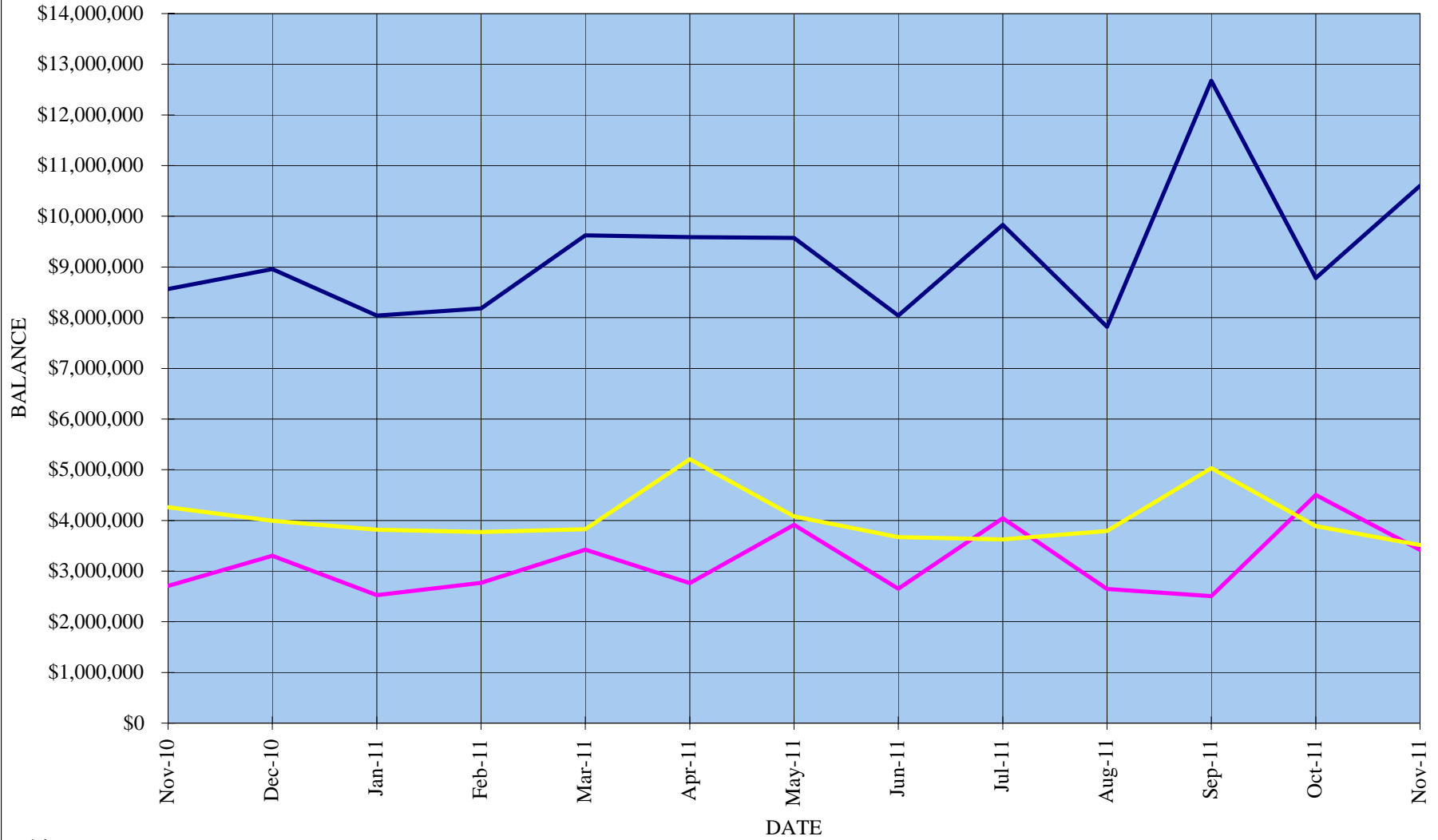
**CITY OF COSTA MESA CASH FLOWS BY MONTH
AS OF NOVEMBER 30, 2011**



**CITY OF COSTA MESA REVENUE CHART
AS OF NOVEMBER 30, 2011**



CITY OF COSTA MESA EXPENDITURE CHART AS OF NOVEMBER 30, 2011



**City of Costa Mesa
General Fund Cash Flow Projection**

Due to the severe recession over the last few years, the City’s revenue sources significantly declined forcing the City to take necessary actions to reduce expenditures. Unfortunately, while working to reduce expenditures, the City used approximately \$32 million General Fund fund balance or reserves. This use of fund balance reduced the General Fund annual cash balance.

City Council has expressed a desire to determine the monthly cash flow for the General Fund in an effort to project the future monthly cash balance. Given the City’s historical healthy cash position, it had not been necessary to project monthly cash balance for the General Fund. Therefore, a cash flow model was developed to better analyze the normal monthly activity and the changing trends in both revenue and expenditures.

The General Fund revenues and expenditures fluctuate on a monthly basis, affecting cash. In developing the cash flow model, 5 year historical data was used for: individual revenue accounts and monthly cash activity. The combination of the two appears to be the best way to accurately project the ending monthly cash balance. However, there remains the possibility of aberrations when actual cash activity is posted and reconciled.

The following is a projection of the General Fund ending cash balances and monthly cash flow activity:

| | Projected Ending Cash Balance 2011 & 2012 | Treasurer’s Report Cash Balance CY 2011 | Monthly Cash Flow Activity (Month over Month) | Treasurer’s Report Cash Balance CY 2010 |
|----------------|--|--|--|--|
| January | N/A | \$ 20,418,313.67 | - | \$ 18,188,772.20 |
| February | N/A | 16,408,694.82 | (\$4.0 million) | 16,022,093.67 |
| March | N/A | 16,513,743.53 | 0.1 million | 13,628,413.23 |
| April | N/A | 19,186,464.54 | 2.7 million | 15,078,529.66 |
| May | \$ 29.2 million (1) | 29,235,842.88 | 10.0 million | 23,390,617.45 |
| June | 27.2 million (1) | 21,004,071.23 (3) | (8.2 million) | 21,004,071.23 |
| July | 23.7 million (1) | 22,658,397.45 | (2.3 million) | 19,600,554.97 |
| August | 21.6 million (1) | 23,267,945.73 | 1.7 million | 17,809,840.64 |
| September | 14.2 million (1) | 14,599,893.74 | (8.7 million) | 12,346,493.13 |
| October | 11.3 million (1) | 12,912,317.50 | (1.7 million) | 6,756,802.49 |
| November | 9.6 million (1) | 13,557,875.16 | 0.6 million | 5,391,178.97 |
| December | 15.8 million (1) | - | 6.2 million | 12,351,481.85 |
| January - 2012 | 23.8 million (2) | - | 8.0 million | - |
| February | 21.8 million (2) | - | (2.0 million) | - |
| March | 18.9 million (2) | - | (2.9 million) | - |
| April | 24.3 million (2) | - | 5.4 million | - |
| May | 31.6 million (2) | - | 7.3 million | - |
| June | 27.2 million (2) | - | 4.4 million | - |
| July | 25.0 million (2) | - | 4.4 million | - |

- (1) Per Cash Flow Projection Staff Report (July 12, 2011)
- (2) Per July 2011 Treasurer’s Report – Cash Flow Projection
- (3) The cash balance may differ from CAFR due to closing entries

As it relates to updating projected cash balance amounts, staff believes this schedule may be used two ways: (1) update future cash projections on a limited basis to determine the performance of staff to project future cash balances, or (2) update future cash projections on a monthly basis to more accurately determine future cash balances. Staff has left the original estimate amounts to provide performance feedback for City Council and the public. Staff is available to update projected cash balances on a monthly basis to more accurately project future cash balance, if requested.

The November 2011 General Fund cash balance of \$13.6 million is \$4.0 higher than the amount originally projected. Staff's analysis concludes that cash receipts for November were about \$2.0 million higher than original estimates. This higher than anticipated activity is from higher TOT and Property Tax revenue, while the City also received investment interest paid on called securities. Overall, this monthly increase in receipts combined with prior months variations create a total amount that is \$4.0 million higher than estimated in July 2011.

Otherwise, payments for payroll and those made to vendors were consistent with original estimates.