



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

TO: HONORABLE CITY COUNCIL

FROM: COLLEEN O'DONOGHUE, ASSISTANT FINANCE DIRECTOR

COPY TO: CHIEF EXECUTIVE OFFICER
INVESTMENT OVERSIGHT COMMITTEE
REVENUE SUPERVISOR

DATE: JUNE 22, 2011

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

Attached is the Treasurer's Report for the month of May 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 May 31, 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 May 31, 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 May 31, 2011, was 1.646%. The yield to maturity of the portfolio was 1.584%. The current yield of the City's portfolio was 123 basis points (1.233%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .413% for the month ended May 31, 2011. The weighted average number of days to maturity for the total portfolio was 275 days (.753 years). The weighted average number of days to maturity for the total portfolio less pools was 758 days (2.077 years). The average duration for the underlying securities within LAIF as of May 31 was 185 days (0.507 years).

The following securities were purchased during the month of May, 2011:

<u>Type of Investment</u>	<u>Purchase Date</u>	<u>Cost</u>	<u>Coupon Interest Rate</u>	<u>Yield to Maturity</u>	<u>Yield to Call</u>	<u>Maturity Date</u>
FFCB	05/02/2011	2,000,000.00	1.340%	1.340%	1.340%	05/02/2014
FHLB	05/12/2011	2,000,000.00	2.000%	2.000%	2.000%	11/12/2014

The following security was partially called during the month of May, 2011:

<u>Type of Investment</u>	<u>Purchase Date</u>	<u>Cost</u>	<u>Coupon Interest Rate</u>	<u>Yield to Maturity</u>	<u>Yield to Call</u>	<u>Maturity Date</u>
FHLB	04/29/2011	1,379,310.34	1.600%	1.598%	1.598%	10/06/2014

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

There were no securities matured during the month of May, 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. The plans are to be reviewed before Judge James Peck of the bankruptcy court in Manhattan on June 28, although that date is not firm.

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.



COLLEEN O'DONOGHUE, CPA
Assistant Finance Director

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

CITY OF COSTA MESA
TREASURER'S REPORT OF POOLED CASH AND INVESTMENTS
AS OF MAY 31, 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	\$1,043,697.78	176,394.44	941,343.69	278,748.53
Reconciling Items		7,061.08	23,603.64	16,542.56
Vendor Payment Account			47,569.44	(47,569.44)
Bank of America - Flex Benefit Plan, C.A.I.	-	-	144.00	(144.00)
Total Active Accounts	<u>1,043,697.78</u>	<u>183,455.52</u>	<u>1,012,660.77</u>	<u>247,577.65</u>

<u>INVESTMENTS</u>	<u>COST</u>		<u>BOOK BALANCE</u>
Bank of New York-Trust Sweep Account	-		-
Local Agency Investment Fund	48,018,310.75		48,018,310.75
Medium Term Corporate Notes	10,682,900.00		10,682,900.00
Federal Home Loan Mortgage Corporation	1,000,000.00		1,000,000.00
Federal Farm Credit Bank	2,000,000.00		2,000,000.00
Federal Home Loan Bank	5,620,689.66		5,620,689.66
Federal National Mortgage Association	8,000,000.00		8,000,000.00
	<u>75,321,900.41</u>		<u>75,321,900.41</u>
Market Value Adjustment at 06-30-2010			881,852.50
			<u>76,203,752.91</u>

<u>DEFAULTED SECURITIES</u>	<u>COST</u>		<u>BOOK BALANCE</u>
Lehman Bros. Corp. Notes	5,049,700.00		5,049,700.00
Market Value Adjustment at 06-30-2010			(4,049,700.00)
			<u>1,000,000.00</u>
Total Investments	<u>80,371,600.41</u>	-	<u>77,203,752.91</u>

<u>IMPREST ACCOUNTS</u>	<u>BANK BALANCE</u>	<u>DEPOSITS IN TRANSIT</u>	<u>OUTSTANDING CHECKS</u>	<u>BOOK BALANCE</u>
Bank of America - Bail	10.00	-	-	10.00
Long Term Disability	20,000.00			20,000.00
Total Imprest Accounts	<u>20,010.00</u>	-	-	<u>20,010.00</u>
	<u>81,435,308.19</u>	<u>183,455.52</u>	<u>1,012,660.77</u>	<u>77,471,340.56</u>
City of Costa Mesa Change Funds				12,075.00
ABLE Change Fund				100.00
TOTAL POOLED CASH AND INVESTMENTS				<u>\$ 77,483,515.56</u>



6/21/11

COLLEEN O'DONOGHUE, CPA
Asst. Finance Director

DATE

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

FUND NO	FUND NAME	AMOUNT
101	General Fund	\$ 29,235,842.88 *
201	Special Gas Tax Fund	11,530,710.77
202	Prop. 172 - Public Safety Fund	495,381.16
203	Air Quality Improvement Fund (AB 2766)	622,517.41
205	HUD -HOME Program-HOME Investment Partnership Act	(205,283.69)
207	HUD -Community Development Block Grant Program Fund	(253,759.82)
208	Park Development Fees Fund	1,976,937.30
209	Drainage Fees Fund	820,939.56
213	Supplemental Law Enforcement Services Fund (SLESF)	18,984.37
214	Traffic Impact Fees Fund	3,683,669.09
216	HUD -Rental Rehabilitation Program Fund	(577.96)
217	Narcotics Forfeiture Fund	1,101,978.07
218	Fire System Development Fees Fund	721,998.20
219	Local Law Enforcement Block	16,709.15
220	Office of Traffic Safety	(9,531.83)
221	Homelessness Prevention	(20,159.27)
260	Airborne Law Enforcement Fund	1,094,771.09
261	Helicopter Replacement Fund	3,143,873.17
401	Capital Outlay Fund	1,057,526.33
403	Measure "M" Construction Fund	2,968,004.41
409	Vehicle Parking District #1 Fund	2,196.48
410	Vehicle Parking District #2 Fund	2,041.97
412	Police Department Expansion Project	1,583,005.45
413	Golf Course Improvement Fund	651,657.63
414	Measure "M" Turnback Fund	3,768,656.72
601	Equipment Maintenance and Replacement Fund	5,806,594.23
602	Self-Insurance Fund - Liab/W.C./Unemployment	6,964,422.88
701	Deposits	(908,275.83)
705	Costa Mesa Community Foundation	158,378.42
755	Police Retirement - 1% Supplemental	1,454,307.22
	Total Pooled Cash & Investments	<u>\$ 77,483,515.56</u>

*Council has designated \$14.125 million in general fund balance for emergency reserves.
These totals reflect month end cash balances only.

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

Total outstanding investments as of April 30, 2011 \$ 73,250,910.75

	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>YIELD TO MATURITY</u>	<u>COST</u>
Investment Purchases:					
Federal Farm Credit Bank	05/02/2011	05/02/2014	1.340%	1.340%	2,000,000.00
Federal Home Loan Bank	05/12/2011	11/12/2014	2.000%	2.000%	2,000,000.00
Total Purchases:					4,000,000.00
Investment Maturities:					
Total Maturities: None					-
Investment Calls:					
Partial Call - Federal Home Loan Bank	04/29/2011	10/06/2014	1.600%	1.598%	(1,379,310.34)
Total Calls:					(1,379,310.34)
Investments Sold:					
Total Sales: None					-
Net increase (decrease) in LAIF					4,500,000.00
Net increase (decrease) in Sweep Account					-
Total outstanding investments as of May 31, 2011					\$ 80,371,600.41

CITY OF COSTA MESA
 INVESTMENTS AND INVESTMENT EARNINGS
 AS OF MAY 31, 2011

INVESTMENT	CUSIP NUMBER	INTEREST RATE	YIELD TO MATURITY	COST	INTEREST EARNED AT 05/31/2011	PURCHASE DATE	CALL DATE	MATURITY DATE
Wells Fargo Treas Plus Money Mkt Fd	S99998260	0.000%		\$ 48,018,310.75		05/31/2011		05/31/2011
Local Agency Investment Fund	N/A	0.413%		-		05/31/2011		05/31/2011
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 Home Loan Mortgage Corporation	3134G14B7	1.350%	1.350%	1,000,000.00	3,675.00	02/23/2011	08/23/2011	08/23/2013
Federal Home Loan Bank	3133736R8	1.250%	1.250%	1,000,000.00	1,388.88	04/21/2011	10/21/2011	01/21/2014
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 National Mortgage Association	3136FP5V5	1.750%	1.750%	1,000,000.00	5,687.50	02/04/2011	08/04/2011	08/04/2014
Federal Home Loan Bank	3133714L7	1.600%	1.598%	620,689.66	6,482.68	04/29/2011	05/05/2011	10/06/2014
Federal Home Loan Bank	313373K35	2.000%	2.000%	2,000,000.00	2,111.10	05/12/2011	08/12/2011	11/12/2014
Federal Home Loan Bank	313370XP8	1.650%	1.640%	2,000,000.00	14,575.00	04/29/2011	05/05/2011	12/22/2014
				75,321,900.41	217,577.59			
<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				\$ 80,371,600.41	217,577.59			

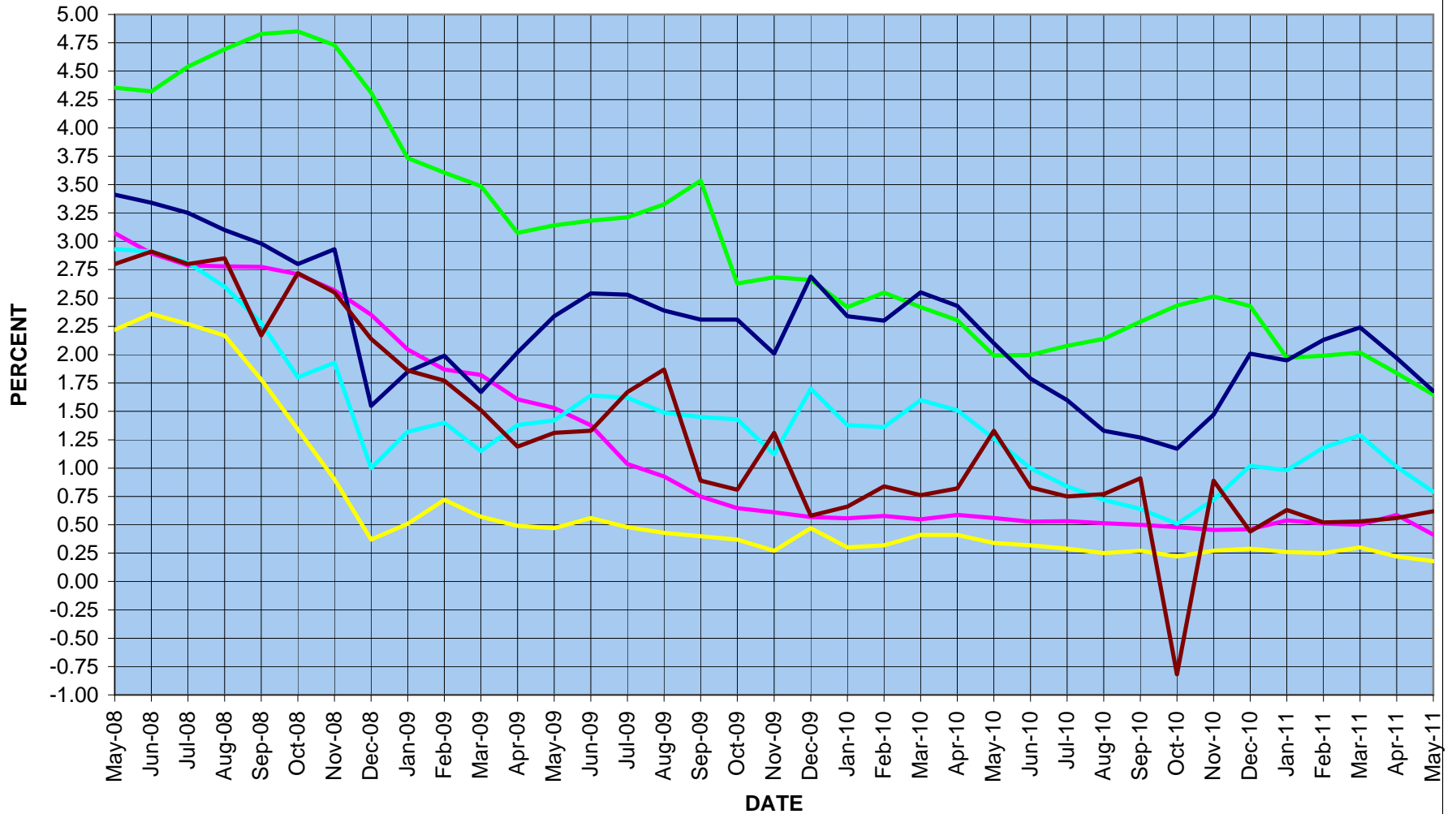
KEY: BA - Banker's Acceptance
 CD - Certificate of Deposit
 CP - Commercial Paper

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

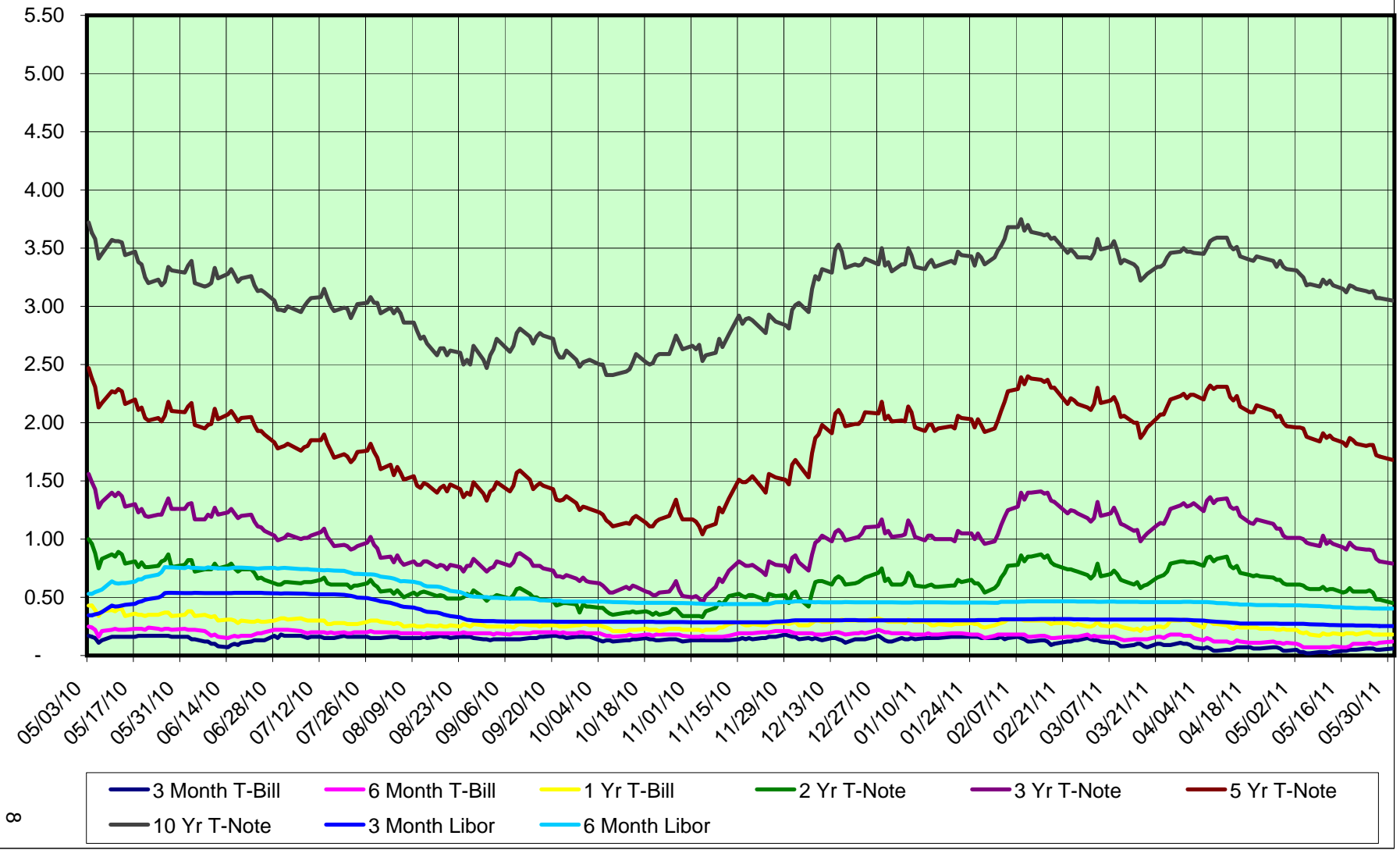
CITY OF COSTA MESA - PORTFOLIO INTEREST RATE INFORMATION AS OF MAY 31, 2011



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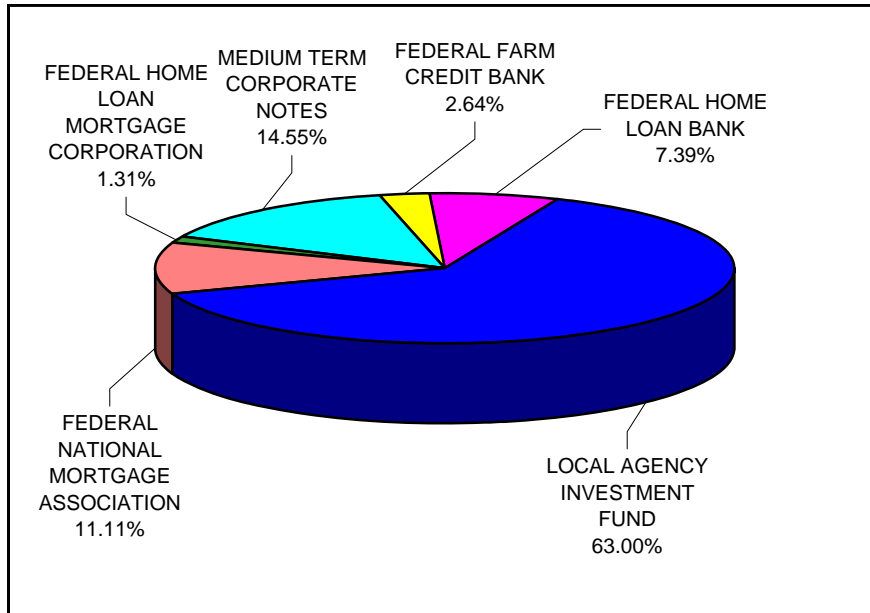


2010/2011 Market Rates as of May 31, 2011



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CITY OF COSTA MESA - ASSET ALLOCATION AS OF MAY 31, 2011



		In Thousands
■	Local Agency Investment Fund	\$ 48,018
■	Federal Home Loan Mortgage Corporation	1,000
■	Federal Farm Credit Bank	2,000
■	Federal Home Loan Bank	5,621
■	Federal National Mortgage Association	8,000
■	Medium Term Corporate Notes	<u>10,683</u>
	Total	<u><u>\$ 75,322</u></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 MAY 31, 2011

DESCRIPTION	CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 05/31/11	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	0.00%	60.00%
FLB	0.00%	60.00%
FHLB	7.26%	60.00%
FNMA	10.92%	60.00%
FHLMC	1.29%	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	16.00%	30.00%
Repurchase Agreements	0.00%	UNLIMITED
Reverse Repurchase Agreements	0.00%	10% of base
LAIF (Local Agency Investment Fund)	61.93%	\$ 50,000,000.00
Current Balance		\$ 48,018,310.75
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	<u>97.40%</u>	
% of Portfolio Maturing within one year	63.00%	no less than 20%
% of Portfolio Maturing or Callable within one year	75.66%	

(1) Current dollar weighted average maturity as of 05/31/11 is 0 days.

(2) Also limited to 20% in total.

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

CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY INSTRUMENT TYPE
AS OF MAY 31, 2011

INSTITUTION	TYPE OF INVESTMENT	PURCHASE DATE	MATURITY DATE	INTEREST RATE	COST	MARKET VALUE AS OF 05/31/11	% of PORTFOLIO	SPECIAL CHARACTERISTICS OF INVESTMENTS
Local Agency Investment Fund	POOL	N/A	CONTINUOUS	0.413 % (1)	\$ 48,018,310.75	48,018,310.75	61.93%	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
Medium Term Corporate Notes:								
Morgan Stanley	HSBC Corp. Note	12/11/2007	06/19/2012	5.900 % (4)	3,081,600.00	3,156,240.00		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	2,643,675.00		Bullet; Moody's/S & P rated as A1/A+ *(CR - A2/A neg/neg outlook)
Morgan Stanley	Goldman Sachs Corp. Note	11/08/2007	11/01/2012	5.450 % (4)	3,024,900.00	3,175,110.00		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	2,114,260.00		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>11,089,285.00</u>	<u>14.30%</u>	
Federal Farm Credit Bank:								
De La Rosa	FFCB	05/02/2011	05/02/2014	1.340 % (4)	2,000,000.00	2,012,580.00		Fixed rate, callable with 5 days on or after 05/02/12
Total Federal Farm Credit Bank					<u>2,000,000.00</u>	<u>2,012,580.00</u>	<u>2.60%</u>	% Rounded 5/4
Federal Home Loan Mortgage Corporation:								
Citigroup Global Markets, Inc	FHLMC	02/23/2011	08/23/2013	1.350 % (4)	1,000,000.00	1,002,100.00		Fixed rate, callable with 5 days notice only on 08/23/11
Total Federal Home Loan Mortgage Corporation					<u>1,000,000.00</u>	<u>1,002,100.00</u>	<u>1.29%</u>	% Rounded 5/4
Federal National Mortgage Association:								
Morgan Keegan	FNMA	04/15/2008	04/15/2013	4.000 % (4)	5,000,000.00	5,328,800.00		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	2,133,900.00		Fixed rate, callable with 10 days notice only on 07/18/08
De La Rosa	FNMA	02/04/2011	08/04/2014	1.750 % (4)	1,000,000.00	1,002,656.25		Fixed rate, callable with 10 days notice on or after 08/04/11
Total Federal National Mortgage Association					<u>8,000,000.00</u>	<u>8,465,356.25</u>	<u>10.92%</u>	% Rounded 5/4
Federal Home Loan Bank:								
De La Rosa	FHLB	04/21/2011	01/21/2014	1.250 % (4)	1,000,000.00	1,003,970.00		Fixed rate, callable with 5 days notice only on 10/21/11
Morgan Keegan	FHLB	04/29/2011	10/06/2014	1.600 % (4)	620,689.66	620,786.62		Fixed rate, callable with 5 days notice on or after 05/05/11
	FHLB	05/12/2011	11/12/2014	2.000 % (4)	2,000,000.00	2,006,640.00		Fixed rate, callable with 5 days notice on or after 08/12/11
Morgan Keegan	FHLB	04/29/2011	12/22/2014	1.650 % (4)	2,000,000.00	2,000,360.00		Fixed rate, callable with 5 days notice on or after 05/05/11
Total Federal National Mortgage Association					<u>5,620,689.66</u>	<u>5,631,756.62</u>	<u>7.26%</u>	% Rounded 5/4
Sub-total					\$ 75,321,900.41	76,219,388.62		
DEFAULTED SECURITIES								
Morgan Keegan	Lehman Bros. Hldg Corp. Note	01/23/2008	02/06/2012	5.250 % (4)	2,509,000.00	650,000.00		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	665,625.00		Bullet; Moody's/S & P rated as A1/A+e *(CR - DEFAULT)
Total Securities in Default					<u>5,049,700.00</u>	<u>1,315,625.00</u>	<u>1.70%</u>	% Rounded 5/4
Total Outstanding Investments					<u>\$ 80,371,600.41</u>	<u>77,535,013.62</u>	<u>100.00%</u>	*CR = Current rating as of April 14, 2011

INTEREST RATE LEGEND

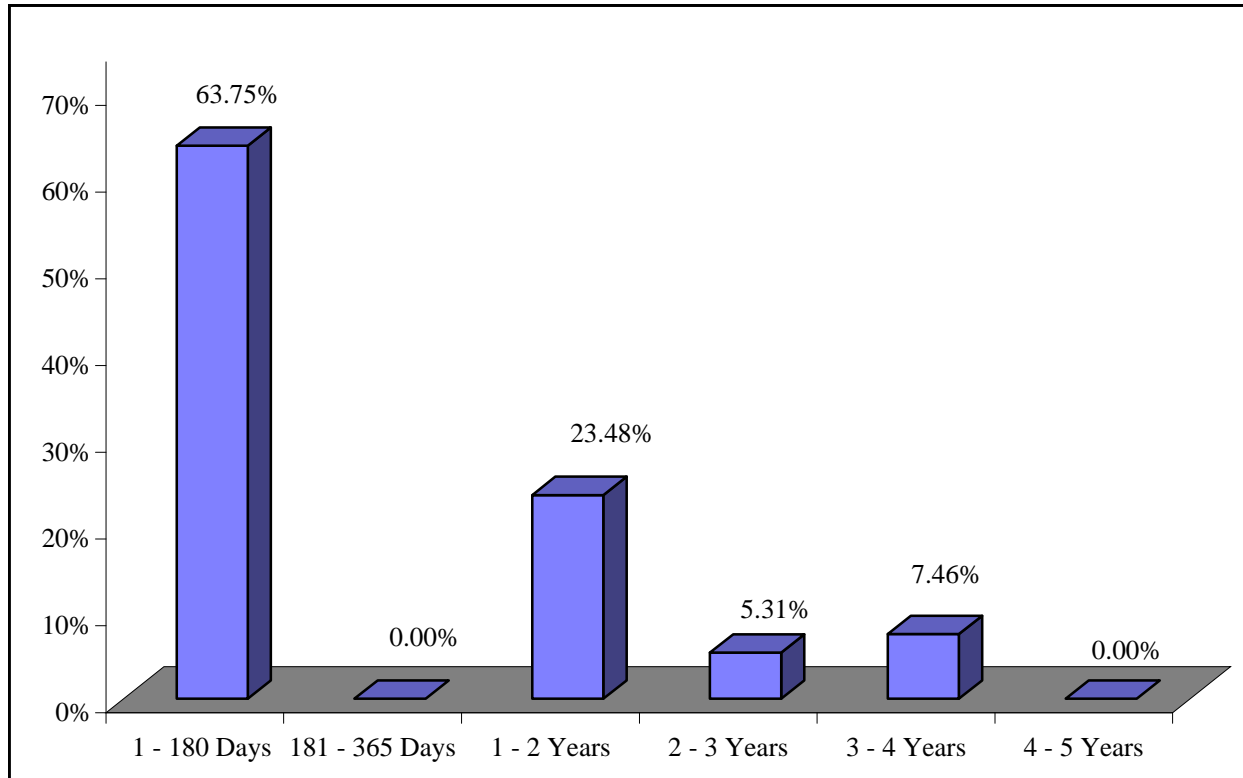
(1) LAIF rate quoted as of the last day of the month

(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 MAY 31, 2011



	In Thousands
1 - 180 Days	\$ 48,018
181 - 365 Days	-
1 - 2 Years	17,683
2 - 3 Years	4,000
3 - 4 Years	5,621
4 - 5 Years	-
* TOTAL	<u>\$ 75,322</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
JUNE 2007 THROUGH MAY 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>
June 2007	7.87%	44.15%	17.93%	15.47%	85.42%
July 2007	7.98%	44.65%	18.12%	15.63%	86.38%
August 2007	8.37%	46.88%	19.06%	18.85%	93.15%
September 2007	6.74%	45.95%	18.68%	18.46%	89.83%
October 2007	7.03%	47.84%	19.44%	16.16%	90.48%
November 2007	7.15%	38.88%	17.12%	13.38%	76.54%
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%	7.26%	1.29%	10.92%	19.47%
May 2011	<u>2.60%</u>	<u>7.26%</u>	<u>1.29%</u>	<u>10.92%</u>	<u>22.07%</u>
AVERAGE	4.04%	9.95%	10.93%	13.51%	38.42%

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY
AS OF MAY 31, 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	48,018,310.75	48,018,310.75	48,018,310.75	-	-
Stagecoach Treasury Money Market Fund	N/A	CONTINUOUS	-	-	-	-	-
	Percent maturing in 2011		59.75%	48,018,310.75	48,018,310.75	-	-
2012:							
HSBC Corp. Note	12/11/2007	06/19/2012	3,000,000.00	3,081,600.00	3,156,240.00	79,650.00	74,640.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012	2,500,000.00	2,585,000.00	2,643,675.00	44,534.70	58,675.00
Goldman Sachs Corp. Note	11/08/2007	11/01/2012	3,000,000.00	3,024,900.00	3,175,110.00	13,624.98	150,210.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012	2,000,000.00	1,991,400.00	2,114,260.00	8,458.32	122,860.00
	Percent maturing in 2012		13.29%	10,500,000.00	11,089,285.00	146,268.00	406,385.00
2013:							
Federal National Mortgage Association	04/15/2008	04/15/2013	5,000,000.00	5,000,000.00	5,328,800.00	25,555.55	328,800.00
Federal National Mortgage Association	04/18/2008	04/18/2013	2,000,000.00	2,000,000.00	2,133,900.00	9,675.00	133,900.00
* Federal Home Loan Mortgage Corporation	02/23/2011	08/23/2013	1,000,000.00	1,000,000.00	1,002,100.00	3,675.00	2,100.00
	Percent maturing in 2013		9.95%	8,000,000.00	8,464,800.00	38,905.55	464,800.00
2014:							
* Federal Home Loan Bank	04/21/2011	01/21/2014	1,000,000.00	1,000,000.00	1,003,970.00	1,388.88	3,970.00
* Federal Farm Credit Bank	05/02/2011	05/02/2014	2,000,000.00	2,000,000.00	2,012,580.00	2,158.88	12,580.00
* Federal National Mortgage Association	02/04/2011	08/04/2014	1,000,000.00	1,000,000.00	1,002,656.25	5,687.50	2,656.25
* Federal Home Loan Bank	04/29/2011	10/06/2014	620,689.66	620,689.66	620,786.62	6,482.68	96.96
* Federal Home Loan Bank	05/12/2011	11/12/2014	2,000,000.00	2,000,000.00	2,006,640.00	2,111.10	6,640.00
* Federal Home Loan Bank	04/29/2011	12/22/2014	2,000,000.00	2,000,000.00	2,000,360.00	14,575.00	360.00
	Percent maturing in 2014		10.73%	8,620,689.66	8,646,992.87	32,404.04	26,303.21
Sub-total			75,139,000.41	75,321,900.41	76,219,388.62	217,577.59	897,488.21
<u>DEFAULTED SECURITIES</u>							
Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012	2,500,000.00	2,509,000.00	650,000.00	-	(1,859,000.00)
Lehman Bros. Hldg. Corp. Note	01/25/2008	01/24/2013	2,500,000.00	2,540,700.00	665,625.00	-	(1,875,075.00)
			6.28%	5,000,000.00	1,315,625.00	-	(3,734,075.00)
Total outstanding investments			100.00%	\$ 80,139,000.41	80,371,600.41	77,535,013.62	217,577.59

* 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 MAY 31, 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	228,937.69	228,937.69	228,937.69	-
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>\$ 2,710,752.09</u>	<u>2,710,752.09</u>	<u>2,710,752.09</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	\$ 7,924.52	7,924.52	7,924.52	(1)
Cost Sharing Infrastructure	Money Market Fund	Orange County Investment Pool	Open	76,765.37	76,765.37	76,765.37	
	Ending Balances			<u>\$ 84,689.89</u> (2)	<u>84,689.89</u>	<u>84,689.89</u>	

All American Asphalt/City of Costa Mesa Retention Escrow Account #1321

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	0.03	0.03	0.03	1.260
	Ending Balances			<u>\$ 0.03</u>	<u>0.03</u>	<u>0.03</u>	

CITY OF COSTA MESA
SUMMARY OF CASH HELD IN TRUST
AS OF MAY 31, 2011

Sierra Landscape Co./City of Costa Mesa Retention Escrow Account #23336

Trustee: Union Bank

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Account	Money Market Fund	Union Bank Money Market Account	Open	39,009.18	39,009.18	39,009.18	(1)
	Ending Balances			<u>\$ 39,009.18</u>	<u>39,009.18</u>	<u>39,009.18</u>	

GRAND TOTALS

\$ 7,867,407.40 \$ 7,867,407.40 \$ 7,867,407.40

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

(2) Balance reflects quarter ending June 30, 2010

CITY OF COSTA MESA
OUTSTANDING INVESTMENTS
AS OF MAY 31, 2011

<u>TYPE OF INVESTMENT</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>CALL DATE</u>	<u>DAYS TO MATURITY</u>	<u>INTEREST RATE</u>	<u>YIELD TO MATURITY</u>	<u>COST</u>
LOCAL AGENCY INVESTMENT FUND				1	0.413 %	0.413 %	\$ 48,018,310.75
WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND				1	- %	- %	-
HSBC Corp. Note	12/11/2007	06/19/2012		385	5.900 %	5.216 %	3,081,600.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012		442	6.050 %	5.204 %	2,585,000.00
Goldman Sachs Corp. Note	11/08/2007	11/01/2012		520	5.450 %	5.257 %	3,024,900.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012		521	5.250 %	5.349 %	1,991,400.00
FNMA	04/15/2008	04/15/2013	07/15/2008	685	4.000 %	4.000 %	5,000,000.00
FNMA	04/18/2008	04/18/2013	07/18/2008	688	4.050 %	4.050 %	2,000,000.00
FHLMC	02/23/2011	08/23/2013	08/23/2011	815	1.350 %	1.350 %	1,000,000.00
FHLB	04/21/2011	01/21/2014	10/21/2011	966	1.250 %	1.250 %	1,000,000.00
FFCB	05/02/2011	05/02/2014	05/02/2012	1,067	1.340 %	1.340 %	2,000,000.00
FNMA	02/04/2011	08/04/2014	08/04/2011	1,161	1.750 %	1.750 %	1,000,000.00
FHLB	04/29/2011	10/06/2014	05/05/2011	1,224	1.600 %	1.598 %	620,689.66
FHLB	05/12/2011	11/12/2014	08/12/2011	1,261	2.000 %	2.000 %	2,000,000.00
FHLB	04/29/2011	12/22/2014	05/05/2011	1,301	1.650 %	1.640 %	2,000,000.00
Total outstanding investments							\$ 75,321,900.41

WEIGHTED AVERAGE:

INTEREST RATE OF PORTFOLIO	1.646%
YIELD TO MATURITY OF PORTFOLIO	1.584%
MATURITY OF PORTFOLIO	275 DAYS
MATURITY OF PORTFOLIO LESS POOLS	758 DAYS

DEFAULTED SECURITIES

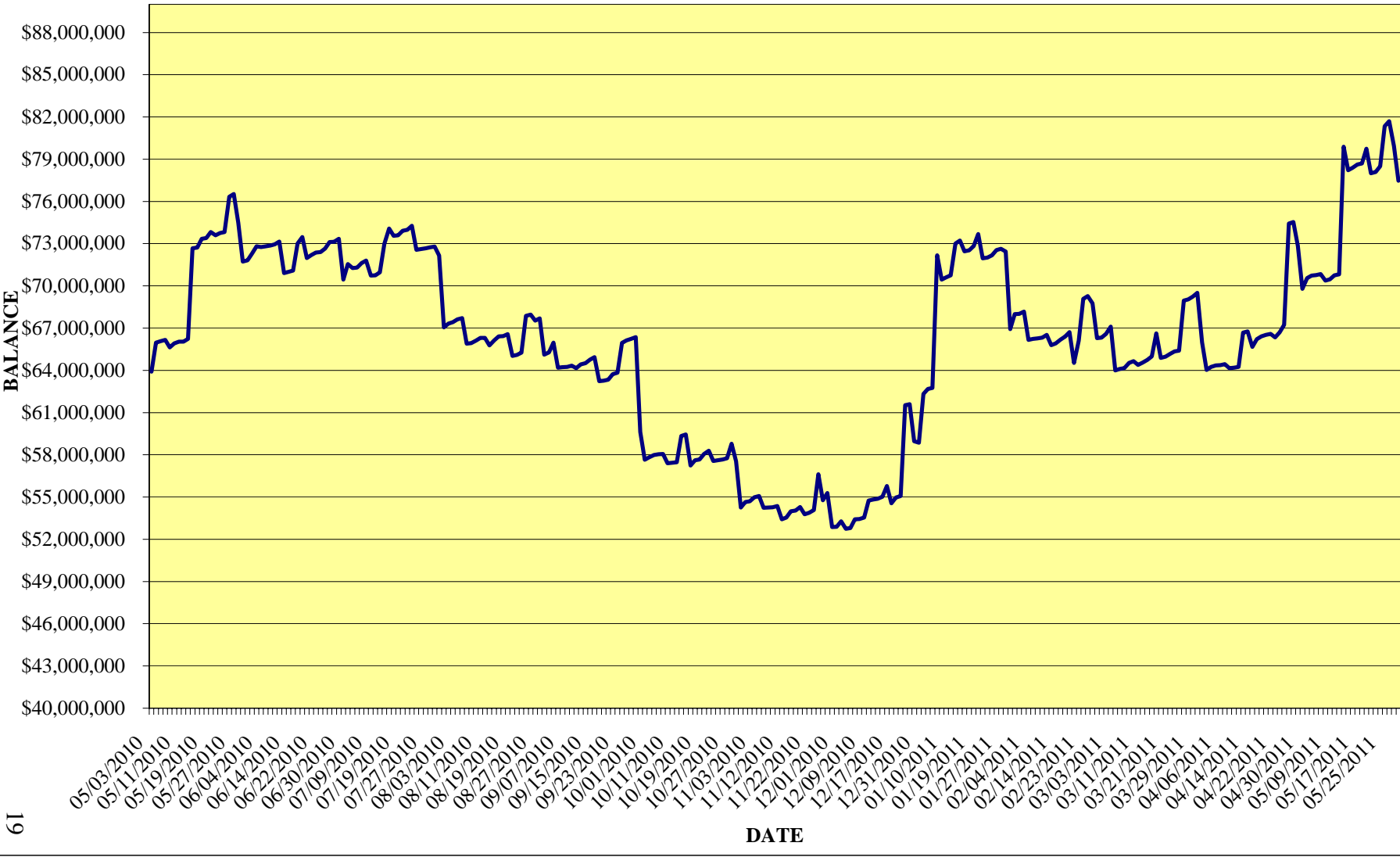
*Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012		251	5.250 %	5.149 %	2,509,000.00
*Lehman Bros. Corp. Note	01/25/2008	01/24/2013		604	5.625 %	5.250 %	2,540,700.00
							\$ 5,049,700.00

*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.

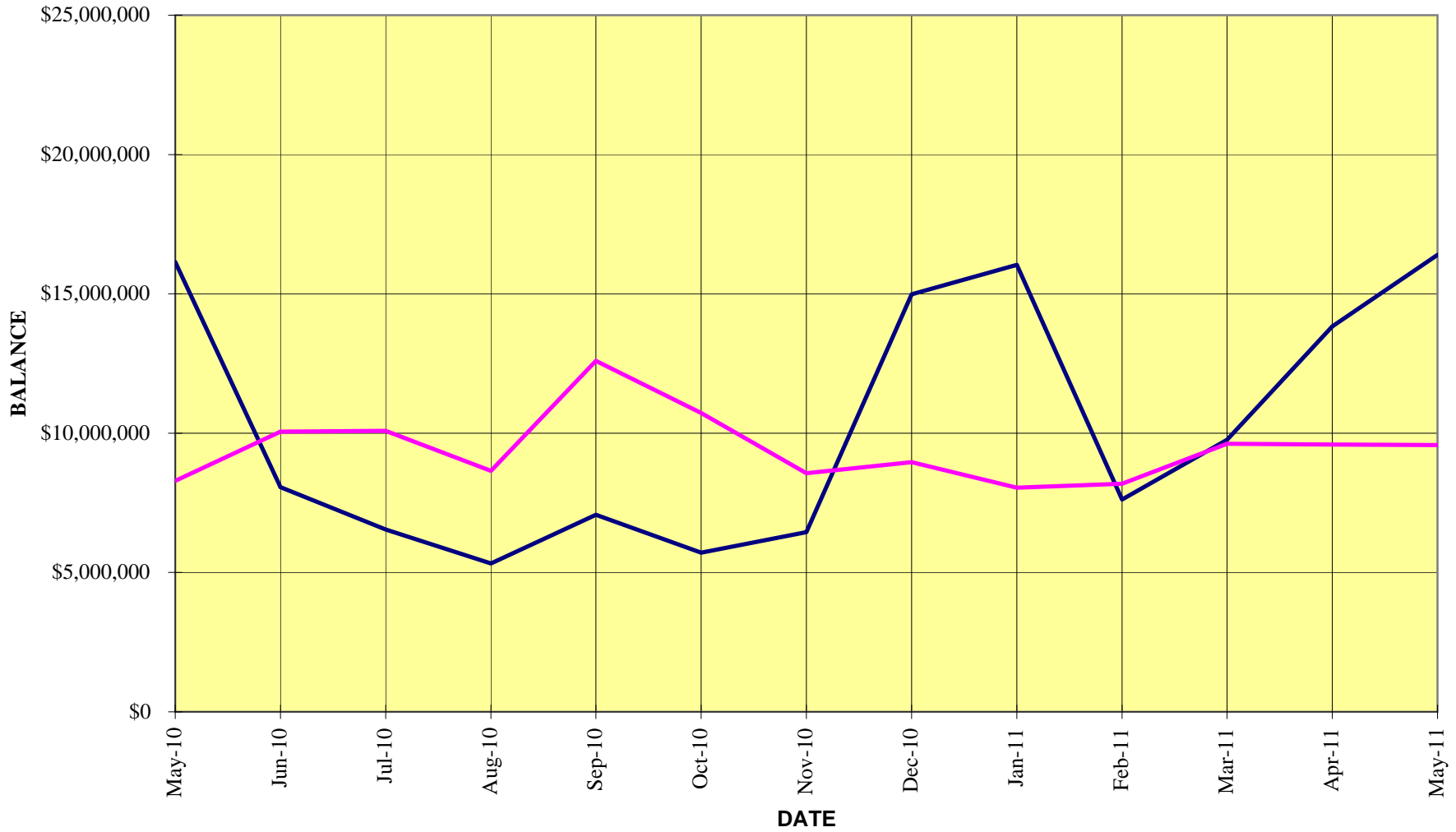
**CITY OF COSTA MESA
CALL SCHEDULE
AS OF MAY 31, 2011**

<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>
MORGAN KEEGAN	FHLB	04/29/2011	10/06/2014	1.600%	1.598%	1.598%	05/05/2011	\$ 620,689.66
MORGAN KEEGAN	FHLB	04/29/2011	12/22/2014	1.650%	1.640%	1.640%	05/05/2011	2,000,000.00
DE LA ROSA	FNMA	02/04/2011	08/04/2014	1.750%	1.750%	1.750%	08/04/2011	1,000,000.00
CITIGROUP GLOBAL MARKETS, INC	FHLB	05/12/2011	11/12/2014	2.000%	2.000%	2.000%	08/12/2011	2,000,000.00
CITIGROUP GLOBAL MARKETS, INC	FHLMC	02/23/2011	08/23/2013	1.350%	1.350%	1.350%	08/23/2011	1,000,000.00
DE LA ROSA	FHLB	04/21/2011	01/21/2014	1.250%	1.250%	1.250%	10/21/2011	1,000,000.00
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>\$ 9,620,689.66</u>

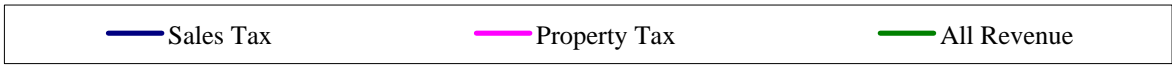
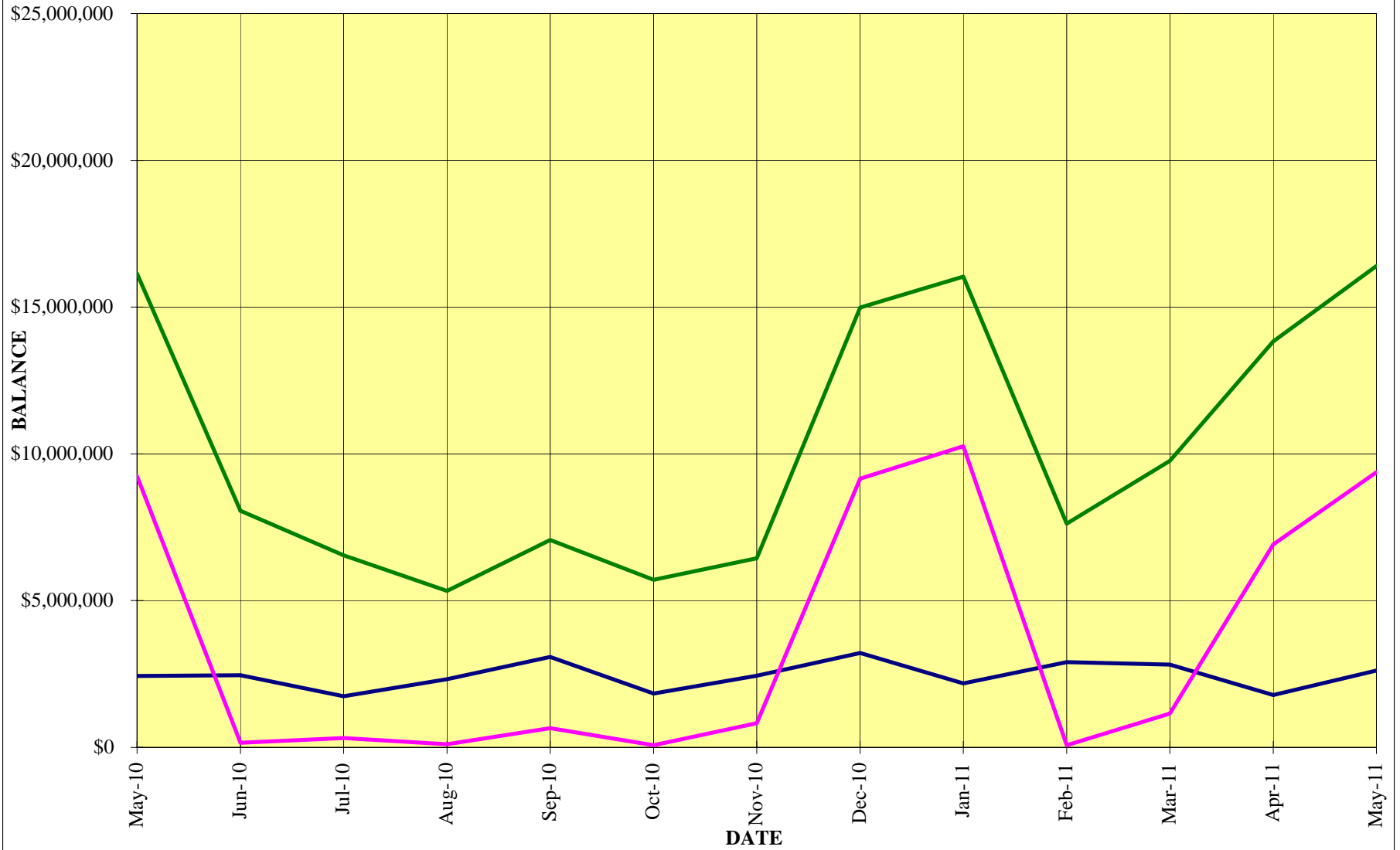
**CITY OF COSTA MESA DAILY CASH BALANCES
AS OF MAY 31, 2011**



**CITY OF COSTA MESA CASH FLOWS BY MONTH
AS OF MAY 31, 2011**



**CITY OF COSTA MESA REVENUE CHART
AS OF MAY 31, 2011**



CITY OF COSTA MESA EXPENDITURE CHART AS OF MAY 31, 2011

