



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

TO: HONORABLE CITY COUNCIL

FROM: COLLEEN O'DONOGHUE, ASSISTANT FINANCE DIRECTOR

COPY TO: CITY MANAGER
INVESTMENT OVERSIGHT COMMITTEE
REVENUE SUPERVISOR

DATE: OCTOBER 20, 2010

SUBJECT: *TREASURER'S REPORT FOR THE MONTH OF SEPTEMBER, 2010*

Attached is the Treasurer's Report for the month of September 2010. 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 September 30, 2010, 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 September 30, 2010, 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 September 30, 2010, was 2.291%. The yield to maturity of the portfolio was 2.105%. The current yield of the City's portfolio was 179 basis points (1.791%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .500% for the month ended September 30, 2010. The weighted average number of days to maturity for the total portfolio was 274 days (.751 years). The weighted average number of days to maturity for the total portfolio less pools was 719 days (1.970 years). The average duration for the underlying securities within LAIF as of September 30 was 185 days (0.507 years).

There were no securities purchased during the month of September, 2010.

There were no securities matured during the month of September, 2010.

There were no securities called during the month of September, 2010.

There were no securities sold during the month of September, 2010.

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 current estimates for recoveries through the bankruptcy proceedings are unknown.

In order to maximize recoveries through the bankruptcy proceeding and protect the City's interests, the former Finance Director initiated the formation of a working group of California public agencies that hold Lehman Brothers Securities in their investment portfolio. To date, over 200 public agencies in California have been identified representing a total loss exposure of over \$750 million. The largest loss exposure of these agencies is CalPERS which has \$393 million invested in Lehman Brothers securities and the smallest is the City of Auburn which has \$125,000 invested. The key role of this working group is to assess possible courses of action and potentially collaborate on recovering all invested assets or as great of a percentage of those assets as is possible. The working group may expand to include public agencies with Lehman loss exposures throughout the nation. To date, over 1,000 agencies throughout the nation with loss exposures totaling over \$2.3 billion have been identified.

Further, the working group has initiated contact with California's federal representatives in hopes of getting language to hold public agencies harmless included in the financial markets "rescue" plan that was introduced in Congress with bi-partisan support and ultimately signed into law by President Bush.

Language to hold cities and counties harmless was included in the bill entitled H.R. 1424, "Emergency Economic Stabilization Act of 2008" and is in Section 103(7) which reads "the need to ensure stability for United States public instrumentalities, such as counties and cities, that may have suffered significant increased costs or losses in the current market turmoil." This bill established the Troubled Asset Relief Program (TARP) and gave broad authority to the Secretary of the Treasury to either purchase or guarantee troubled assets. The actual mechanics of how this program works are not known. With the inclusion of Section 103(7) in the version of the bill that was signed into law, there should be some benefits to local agencies holding Lehman Brothers Corporate Notes in their investment portfolios.

The working group had requested Senator Feinstein to introduce legislation to specifically authorize use of the TARP funds for cities and counties and direct the Treasury Secretary to purchase these assets. Senator Feinstein introduced SB 161 in January specifically for this purpose. Representative Jackie Speier also introduced HR 467 as a companion bill in the House of Representatives in February. At this point, it appears that SB 161 will not be brought to a vote in committee. We are closely monitoring the progress of HR 467. Twenty-nine members of congress from across the country have joined members of the California delegation in asking Treasury Secretary, Timothy Geithner, to purchase the troubled assets into the TARP. A hearing was held before the House Fiscal Services Committee chaired by Barney Frank on May 5th to discuss the "Effect of the Lehman Bankruptcy on State and Local Governments." Subsequent to the hearing, Chairman Frank, Congress member Eshoo and

Congress member Speier sent a jointly signed letter to Secretary Geithner requesting him to purchase the troubled assets into the TARP. On June 17, 2009 Secretary Geithner responded to the request indicating that local government agencies had received relief through the American Recovery and Reinvestment Act (ARRA) and that he was not considering purchasing the Lehman securities into the TARP program at this time. After receipt of this letter, Chairman Frank, Rep. Eshoo and Rep. Speier requested a meeting with Secretary Geithner to further discuss this matter. The meeting was held on October 28, 2009 with Secretary Geithner, and during the meeting he expressed concern that he did not have the authority to use TARP funds to assist localities that have been impacted by the Lehman bankruptcy or other major bank failures, but agreed to go back to his attorneys to clarify the legal issues and concerns and to recommend possible legislative remedies. A follow up meeting was then held on December 2, 2009 with Secretary Geithner and his legal counsel, Rep. Eshoo and Rep. Speier, and several members of the working group. The outcome of that meeting was that Secretary Geithner and his legal counsel stated that the legislation allows Treasury to use TARP funds only for financial institutions, not for local governments. Since this avenue has been exhausted, Rep. Eshoo continues to move on our issue, but along a new path. She is attempting to seek direct relief in the jobs package with the assistance of Speaker Nancy Pelosi. These efforts are still on going.

On April 22, 2010, Rep. Eshoo introduced a "Restitution for Local Government Act of 2010" to help counties and other public entities get back some of the more than \$1.7 billion they lost when Lehman Bros. collapsed. Eshoo's bill would require the Treasury Department to buy Lehman's assets from municipalities using profits from the sale of any future Troubled Asset Relief Program assets which has earned \$15.4 billion from dividends, interest and the sale of bank stock. Local governments receiving these funds would have to report back to the federal government on how the money is used and to show job creation, retention, and economic activity equal to the amount of funds they received. There has been no recent development to report.

The Federal government recently announced that the TARP financial bailout officially ended on October 4, 2010. The Department of Treasury will not be able to fund new programs but is allowed to continue overseeing existing investments.

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
Assistant Finance Director

Attachment: Treasurer's Report for the month of September, 2010

POOLED CASH AND INVESTMENTS BY FUND
FOR THE MONTH ENDING SEPTEMBER 2010

FUND NO	FUND NAME	AMOUNT
101	General Fund	\$ 12,346,493.13
201	Special Gas Tax Fund	10,054,665.33
202	Prop. 172 - Public Safety Fund	157,942.52
203	Air Quality Improvement Fund (AB 2766)	644,896.68
205	HUD -HOME Program-HOME Investment Partnership Act	(87,140.49)
207	HUD -Community Development Block Grant Program Fund	(62,989.33)
208	Park Development Fees Fund	1,957,918.60
209	Drainage Fees Fund	717,228.10
213	Supplemental Law Enforcement Services Fund (SLESF)	(33,504.75)
214	Traffic Impact Fees Fund	3,567,925.21
216	HUD -Rental Rehabilitation Program Fund	(577.96)
217	Narcotics Forfeiture Fund	221,968.44
218	Fire System Development Fees Fund	712,804.67
219	Local Law Enforcement Block	(5,499.32)
220	Office of Traffic Safety	(27,962.05)
221	Homelessness Prevention	(57,348.72)
260	Airborne Law Enforcement Fund	672,533.23
261	Helicopter Replacement Fund	3,108,629.05
401	Capital Outlay Fund	1,517,659.62
403	Measure "M" Construction Fund	3,138,421.45
409	Vehicle Parking District #1 Fund	1,787.08
410	Vehicle Parking District #2 Fund	1,701.99
412	Police Department Expansion Project	1,583,005.45
413	Golf Course Improvement Fund	831,592.52
414	Measure "M" Turnback Fund	2,700,394.57
601	Equipment Maintenance and Replacement Fund	7,065,199.52
602	Self-Insurance Fund - Liab/W.C./Unemployment	6,150,218.76
701	Deposits	1,031,244.97
704	CFD 91-1 Fund	(2,500.00)
705	Costa Mesa Community Foundation	113,581.83
755	Police Retirement - 1% Supplemental	1,607,003.39
	Total Pooled Cash & Investments	<u>\$ 59,627,293.49</u>

CITY OF COSTA MESA
INVESTMENT ACTIVITY SUMMARY
FOR THE MONTH OF SEPTEMBER 2010

Total outstanding investments as of August 31, 2010		\$ 68,151,007.56
	<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		(5,600,000.00)
Net increase (decrease) in Sweep Account		0.84
Total outstanding investments as of September 30, 2010		\$ 62,551,008.40

CITY OF COSTA MESA
INVESTMENT ACTIVITY SUMMARY
FOR THE QUARTER ENDING SEPTEMBER 30, 2010

Total outstanding investments as of June 30, 2010		\$	74,682,099.15
	PURCHASE <u>DATE</u>	MATURITY <u>DATE</u>	COUPON <u>RATE</u>
			YIELD TO <u>MATURITY</u>
Investment Purchases:			<u>COST</u>
Total Purchases: None			-
Investments Sold:			-
Total Sales: None			-
Investment Maturities:			-
Total Maturities: None			-
Investments Called:			-
Total Called: None			-
Net increase (decrease) in LAIF			(12,042,591.20)
Net increase (decrease) in Sweep Account			(88,499.55)
Total outstanding investments as of September 30, 2010		\$	<u>62,551,008.40</u>

CITY OF COSTA MESA
 INVESTMENTS AND INVESTMENT EARNINGS
 AS OF SEPTEMBER 30, 2010

INVESTMENT	CUSIP NUMBER	INTEREST RATE	YIELD TO MATURITY	COST	INTEREST	PURCHASE DATE	CALL DATE	MATURITY DATE
					EARNED AT 09/30/2010			
Wells Fargo Treas Plus Money Mkt Fd	S99998260	0.000%		\$ 0.84		09/30/2010		09/30/2010
Local Agency Investment Fund	N/A	0.500%		35,652,327.56		09/30/2010		09/30/2010
HSBC Corp. Note	40429CCX8	5.250%	4.540%	2,038,600.00	22,458.32	02/06/2008		01/14/2011
Morgan Stanley Dean Witter Corp. Note	617446GM5	6.750%	4.609%	2,127,480.00	62,250.00	01/17/2008		04/15/2011
Lehman Bros. Hldg. Corp. Note	52517PR60	5.250%	5.149%	2,509,000.00	-	01/23/2008		02/06/2012
HSBC Corp. Note	40429CFZ0	5.900%	5.216%	3,081,600.00	50,149.98	12/11/2007		06/19/2012
Merrill Lynch Corp. Note	59018YJ36	6.050%	5.204%	2,585,000.00	19,326.38	01/17/2008		08/15/2012
Goldman Sachs Corp. Note	38144LAC4	5.450%	5.257%	3,024,900.00	68,124.99	11/08/2007		11/01/2012
Morgan Stanley Corp. Note	6174462T5	5.250%	5.349%	1,991,400.00	43,458.32	11/02/2007		11/02/2012
Lehman Bros. Hldg. Corp. Note	5252M0BZ9	5.625%	5.250%	2,540,700.00	-	01/25/2008		01/24/2013
Federal National Mortgage Association	3136F9FL2	4.000%	4.000%	5,000,000.00	92,222.20	04/15/2008	07/15/2008	04/15/2013
Federal National Mortgage Association	3136F9GW7	4.050%	4.050%	2,000,000.00	36,675.00	04/18/2008	07/18/2008	04/18/2013
TOTAL				<u>\$ 62,551,008.40</u>	<u>394,665.19</u>			

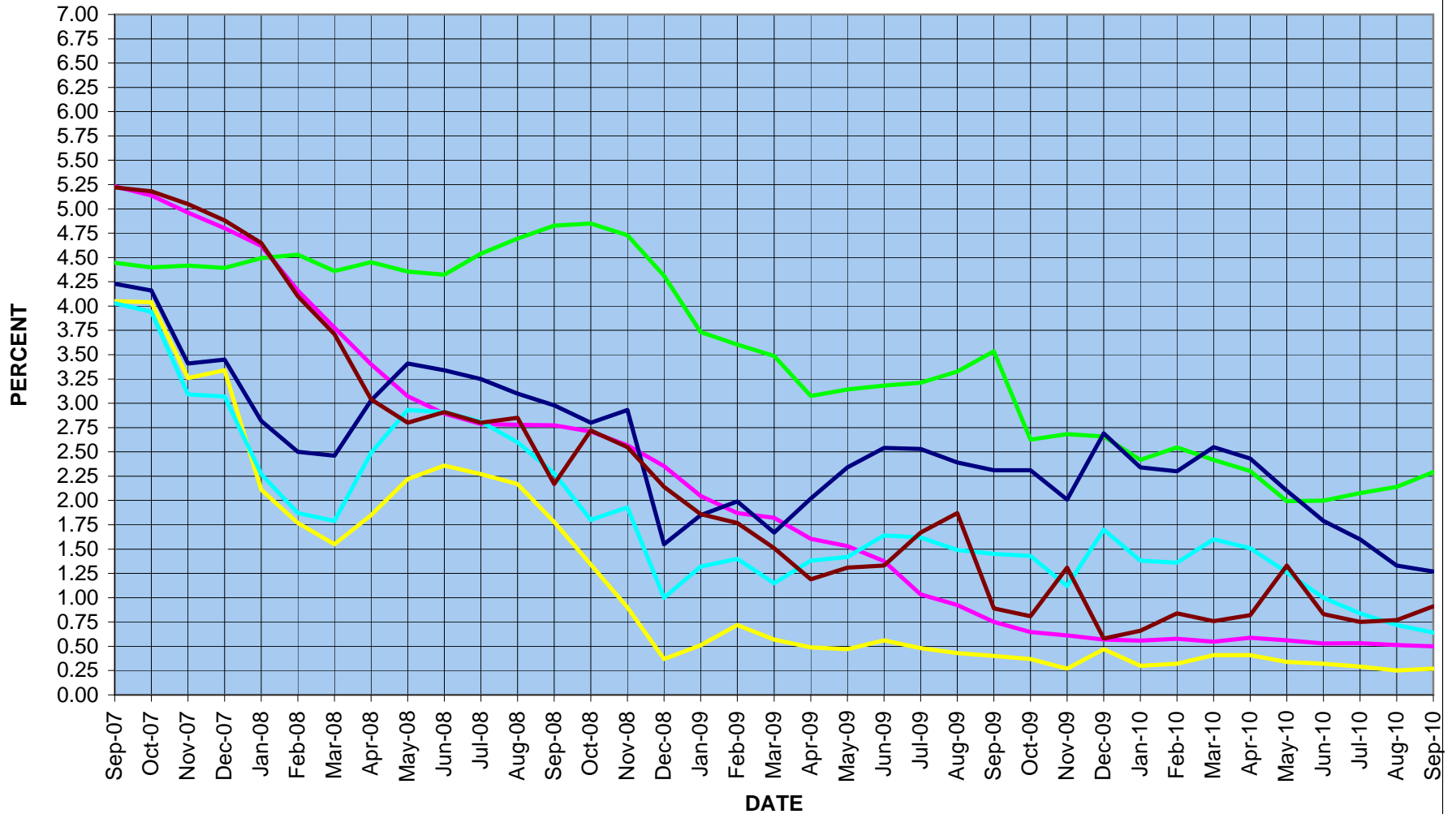
KEY: BA - Banker's Acceptance
 CD - Certificate of Deposit
 CP - Commercial Paper

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

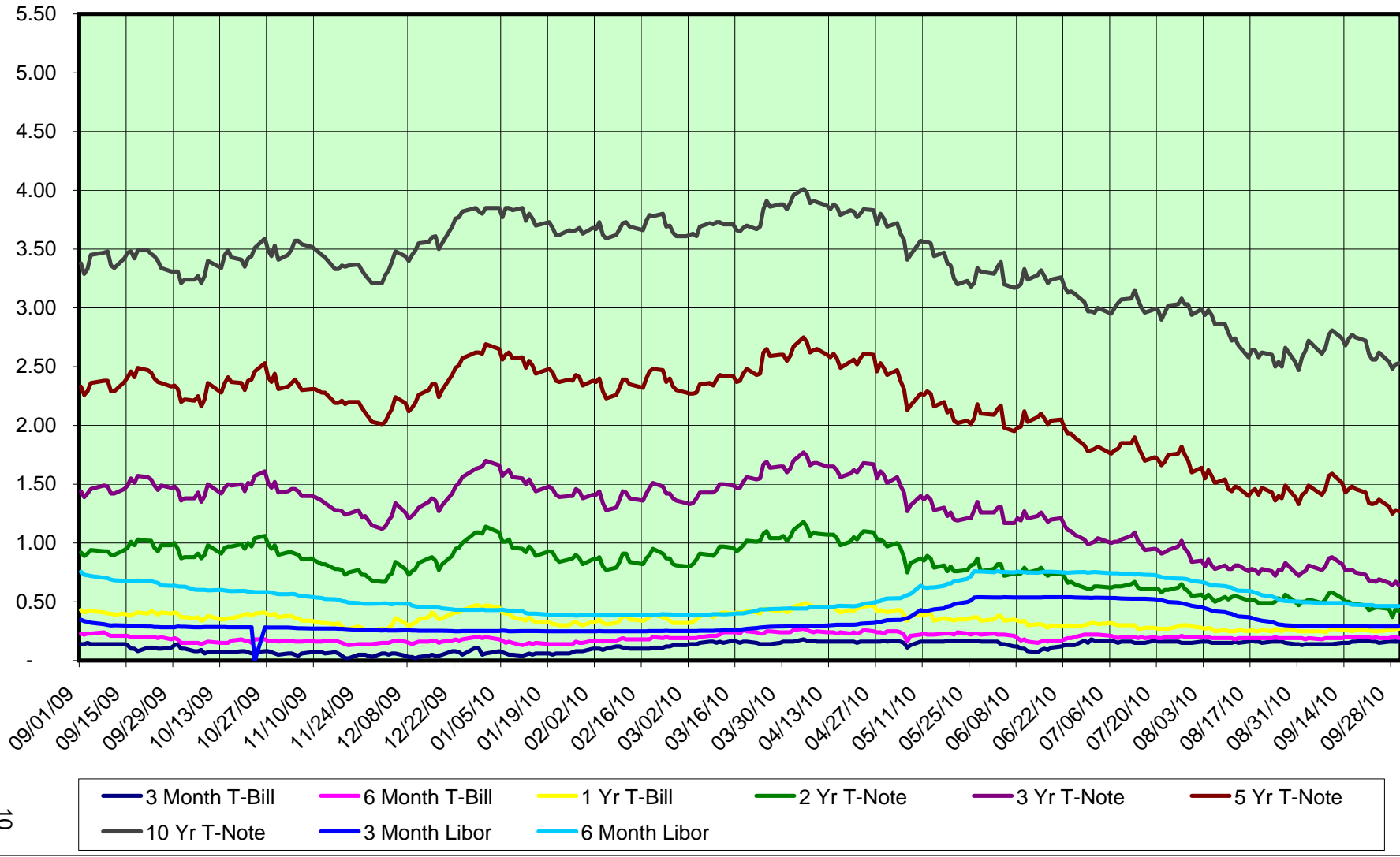
FFCB - Federal Farm Credit Bank
 FHLB - Federal Home Loan Bank
 STP - State Treasurers Pool

SW - Sweep

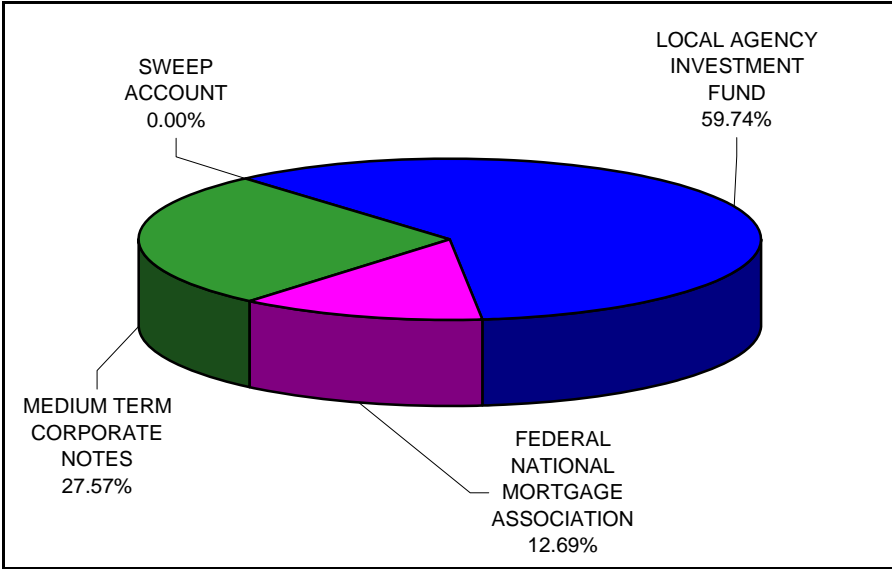
CITY OF COSTA MESA - PORTFOLIO INTEREST RATE INFORMATION AS OF SEPTEMBER 30, 2010



2010/2011 Market Rates as of September 30, 2010



CITY OF COSTA MESA - ASSET ALLOCATION AS OF SEPTEMBER 30, 2010



		In Thousands
■	Local Agency Investment Fund	\$ 35,652
■	Sweep Account	-
■	Federal National Mortgage Association	7,000
■	Medium Term Corporate Notes	<u>19,899</u>
	Total	<u><u>\$ 62,551</u></u>

% Rounded 5/4

CITY OF COSTA MESA
SUMMARY OF POLICY LIMITATIONS
AS OF SEPTEMBER 30, 2010

DESCRIPTION	CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 09/30/10	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	0.00%	60.00%
FNMA	12.69%	60.00%
FHLMC	0.00%	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	27.57%	30.00%
Repurchase Agreements	0.00%	UNLIMITED
Reverse Repurchase Agreements	0.00%	10% of base
LAIF (Local Agency Investment Fund)	59.74%	\$ 50,000,000.00
Current Balance		\$ 35,652,327.56
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>100.00%</u>	
% of Portfolio Maturing within one year	66.58%	no less than 20%
% of Portfolio Maturing or Callable within one year	66.58%	

(1) Current dollar weighted average maturity as of 09/30/10 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 SEPTEMBER 30, 2010

INSTITUTION	TYPE OF INVESTMENT	PURCHASE DATE	MATURITY DATE	INTEREST RATE	COST	MARKET VALUE AS OF 09/30/10	% of PORTFOLIO	SPECIAL CHARACTERISTICS OF INVESTMENTS
Local Agency Investment Fund	POOL	N/A	CONTINUOUS	0.500 % (1)	\$ 35,652,327.56	35,652,327.56	59.74%	Local Agency Investment Fund - State Treasurer's Pool
Wells Fargo Treas Plus Money Mkt	Money Market Fund	N/A	CONTINUOUS	- % (2)	0.84	0.84	0.00%	Stagecoach Funds Inc. Treasury Money Market Mutual Fund
Medium Term Corporate Notes:								
Morgan Stanley	HSBC Corp. Note	02/06/2008	01/14/2011	5.250 % (4)	2,038,600.00	2,023,980.00		Bullet; Moody's/S & P rated as Aa3/AA- *(CR - A3/A neg outlook)
Banc of America	Morgan Stanley Dean Witter Corp. Note	01/17/2008	04/15/2011	6.750 % (4)	2,127,480.00	2,059,960.00		Bullet; Moody's/S & P rated as Aa3/AA1 *(CR - A2/A neg outlook)
Morgan Keegan	Lehman Bros. Hldg Corp. Note	01/23/2008	02/06/2012	5.250 % (4)	2,509,000.00	553,125.00		Bullet; Moody's/S & P rated as A1/A+ *(CR - DEFAULT)
Morgan Stanley	HSBC Corp. Note	12/11/2007	06/19/2012	5.900 % (4)	3,081,600.00	3,188,460.00		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	2,683,275.00		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	3,235,380.00		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	2,135,280.00		Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - A2/A neg outlook)
Morgan Keegan	Lehman Bros. Hldg Corp. Note	01/25/2008	01/24/2013	5.625 % (4)	2,540,700.00	575,000.00		Bullet; Moody's/S & P rated as A1/A+e *(CR - DEFAULT)
Total Medium Term Corporate Notes					<u>19,898,680.00</u>	<u>16,454,460.00</u>	<u>27.57%</u>	
Federal National Mortgage Association:								
Morgan Keegan	FNMA	04/15/2008	04/15/2013	4.000 % (4)	5,000,000.00	5,409,375.00		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	2,166,250.00		Fixed rate, callable with 10 days notice only on 07/18/08
Total Federal National Mortgage Association					<u>7,000,000.00</u>	<u>7,575,625.00</u>	<u>12.69%</u>	% Rounded 5/4
Total Outstanding Investments					<u>\$ 62,551,008.40</u>	<u>59,682,413.40</u>	<u>100.00%</u>	*CR = Current rating as of October 14, 2010

INTEREST RATE LEGEND

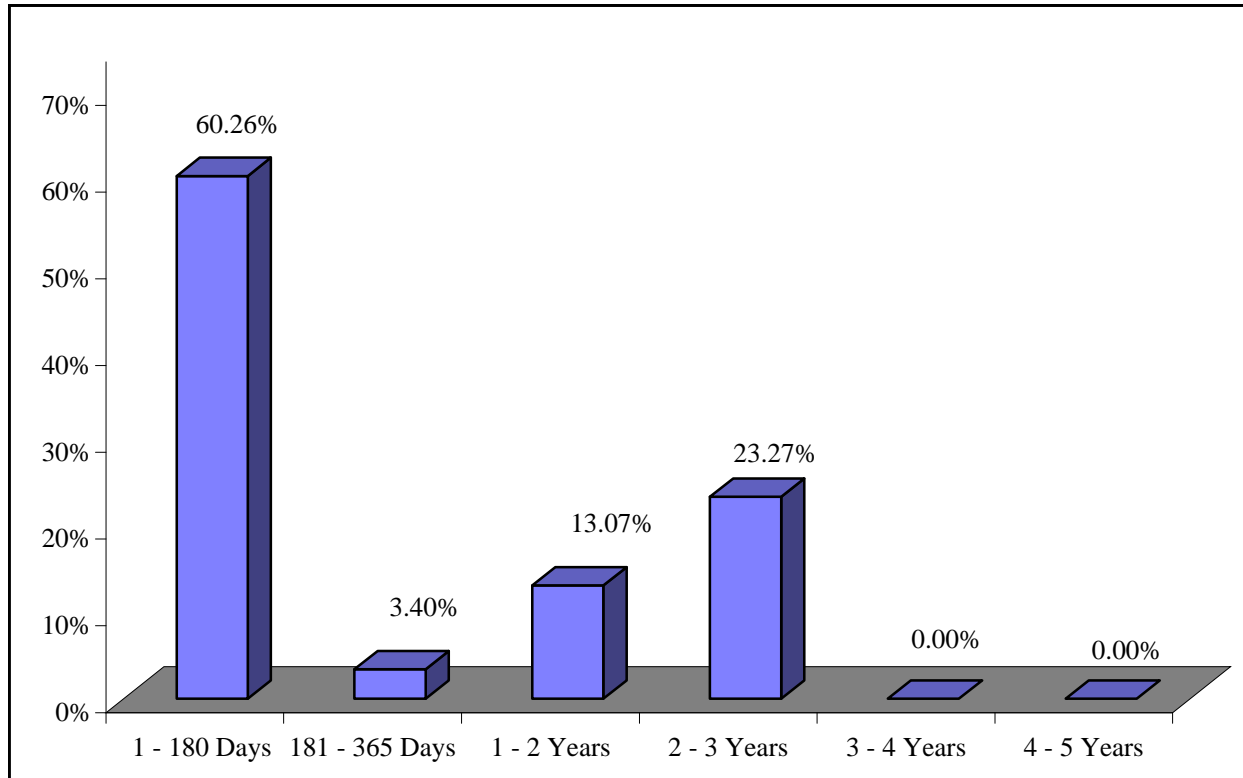
(1) LAIF rate quoted as of the last day of the month

(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 SEPTEMBER 30, 2010**



	In Thousands	
1 - 180 Days	\$	37,691
181 - 365 Days		2,127
1 - 2 Years		8,176
2 - 3 Years		14,557
3 - 4 Years		-
4 - 5 Years		-
TOTAL	\$	<u>62,551</u>

% Rounded 5/4

CITY OF COSTA MESA
PERCENT OF PORTFOLIO INVESTED IN FEDERAL AGENCIES
OCTOBER 2006 THROUGH SEPTEMBER 2010

<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>
October 2006	13.85%	41.43%	19.78%	17.08%	92.14%
November 2006	13.77%	41.22%	19.67%	12.83%	87.50%
December 2006	13.83%	41.33%	19.72%	10.79%	85.66%
January 2007	12.91%	35.64%	20.30%	15.87%	84.71%
February 2007	12.66%	35.03%	19.93%	15.58%	83.19%
March 2007	13.06%	36.14%	20.57%	16.07%	85.84%
April 2007	8.00%	38.29%	20.16%	15.74%	82.20%
May 2007	7.36%	35.11%	18.49%	14.43%	75.39%
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	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>12.69%</u>	<u>12.69%</u>
AVERAGE	5.97%	15.99%	14.11%	13.88%	49.95%

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY
AS OF SEPTEMBER 30, 2010**

<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>
2010:							
Local Agency Investment Fund	N/A	CONTINUOUS	\$ 35,652,327.56	35,652,327.56	35,652,327.56	-	-
Stagecoach Treasury Money Market Fund	N/A	CONTINUOUS	0.84	0.84	0.84	-	-
Percent maturing in 2010			57.00%	35,652,328.40	35,652,328.40	-	-
2011:							
HSBC Corp. Note	02/06/2008	01/14/2011	2,000,000.00	2,038,600.00	2,023,980.00	22,458.32	(14,620.00)
Morgan Stanley Dean Witter Corp. Note	01/17/2008	04/15/2011	2,000,000.00	2,127,480.00	2,059,960.00	62,250.00	(67,520.00)
Percent maturing in 2011			6.66%	4,000,000.00	4,083,940.00	84,708.32	(82,140.00)
2012:							
Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012	2,500,000.00	2,509,000.00	553,125.00	-	(1,955,875.00)
HSBC Corp. Note	12/11/2007	06/19/2012	3,000,000.00	3,081,600.00	3,188,460.00	50,149.98	106,860.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012	2,500,000.00	2,585,000.00	2,683,275.00	19,326.38	98,275.00
Goldman Sachs Corp. Note	11/08/2007	11/01/2012	3,000,000.00	3,024,900.00	3,235,380.00	68,124.99	210,480.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012	2,000,000.00	1,991,400.00	2,135,280.00	43,458.32	143,880.00
Percent maturing in 2012			21.09%	13,000,000.00	11,795,520.00	181,059.67	(1,396,380.00)
2013:							
Lehman Bros. Hldg. Corp. Note	01/25/2008	01/24/2013	2,500,000.00	2,540,700.00	575,000.00	-	(1,965,700.00)
Federal National Mortgage Association	04/15/2008	04/15/2013	5,000,000.00	5,000,000.00	5,409,375.00	92,222.20	409,375.00
Federal National Mortgage Association	04/18/2008	04/18/2013	2,000,000.00	2,000,000.00	2,166,250.00	36,675.00	166,250.00
Percent maturing in 2013			15.25%	9,500,000.00	8,150,625.00	128,897.20	(1,390,075.00)
Total outstanding investments			100.00%	\$ 62,152,328.40	62,551,008.40	59,682,413.40	394,665.19

* 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 SEPTEMBER 30, 2010

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	\$ 1,218,402.50	1,218,402.50	1,218,402.50	-
Reserve Account	U.S. Govt. Obligation Fund	Federated U.S. Treasury Cash Reserves	Open	1,312,501.42	1,312,501.42	1,312,501.42	-
	Ending Balances			<u>\$ 2,530,903.92</u>	<u>2,530,903.92</u>	<u>2,530,903.92</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	\$ 1,085,718.75	1,085,718.75	1,085,718.75	-
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>\$ 2,358,969.10</u>	<u>2,358,969.10</u>	<u>2,358,969.10</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	31,565.82	31,565.82	31,565.82	-
Reserve Fund	Treasury Obligations Fund	First American Funds	Open	224,757.25	224,757.25	224,757.25	-
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	42,212.52	42,212.52	42,212.52	-
	Ending Balances			<u>\$ 2,513,380.22</u>	<u>2,513,380.22</u>	<u>2,513,380.22</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	1,733,601.88	1,733,601.88	1,733,601.88	-
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>\$ 4,030,806.27</u>	<u>4,030,806.27</u>	<u>4,030,806.27</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	268,261.99	268,261.99	268,261.99	1.260
	Ending Balances			<u>\$ 268,261.99</u>	<u>268,261.99</u>	<u>268,261.99</u>	

All American Asphalt/City of Costa Mesa Retention Escrow Account #1440

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	99,246.72	99,246.72	99,246.72	1.260

CITY OF COSTA MESA
SUMMARY OF CASH HELD IN TRUST
AS OF SEPTEMBER 30, 2010

Ending Balances \$ 99,246.72 99,246.72 99,246.72

RJ Noble Company/City of Costa Mesa Retention Escrow Account #2893-125

Trustee: Bank of Sacramento

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Account	Money Market Fund	Bank of Sacramento Money Market Account	Open	98,069.45	98,069.45	98,069.45	(1)
	Ending Balances			<u>\$ 98,069.45</u>	<u>98,069.45</u>	<u>98,069.45</u>	

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	37,982.40	37,982.40	37,982.40	(1)
	Ending Balances			<u>\$ 37,982.40</u>	<u>37,982.40</u>	<u>37,982.40</u>	

Elite Bobcat Service/City of Costa Mesa Retention Escrow Account #20401030

Commerce West Bank

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Account	Money Market Fund	Union Bank Money Market Account	Open	75,539.50	75,539.50	75,539.50	(1)
	Ending Balances			<u>\$ 75,539.50</u>	<u>75,539.50</u>	<u>75,539.50</u>	

Elite Bobcat Service/City of Costa Mesa Retention Escrow Account #20400792

Commerce West Bank

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Account	Money Market Fund	Union Bank Money Market Account	Open	29,865.21	29,865.21	29,865.21	(1)
	Ending Balances			<u>\$ 29,865.21</u>	<u>29,865.21</u>	<u>29,865.21</u>	

GRAND TOTALS \$ 12,277,714.67 \$ 12,202,175.17 \$ 12,202,175.17

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 SEPTEMBER 30, 2010

<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	0.500 %	0.500 %	\$ 35,652,327.56
WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND				1	- %	- %	0.84
HSBC Corp. Note	02/06/2008	01/14/2011		106	5.250 %	4.540 %	2,038,600.00
Morgan Stanley Corp. Note	01/17/2008	04/15/2011		197	6.750 %	4.609 %	2,127,480.00
HSBC Corp. Note	12/11/2007	06/19/2012		628	5.900 %	5.216 %	3,081,600.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012		685	6.050 %	5.204 %	2,585,000.00
Goldman Sachs Corp. Note	11/08/2007	11/01/2012		763	5.450 %	5.257 %	3,024,900.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012		764	5.250 %	5.349 %	1,991,400.00
FNMA	04/15/2008	04/15/2013	07/15/2008	928	4.000 %	4.000 %	5,000,000.00
FNMA	04/18/2008	04/18/2013	07/18/2008	931	4.050 %	4.050 %	2,000,000.00
Total outstanding investments							<u>\$ 57,501,308.40</u>

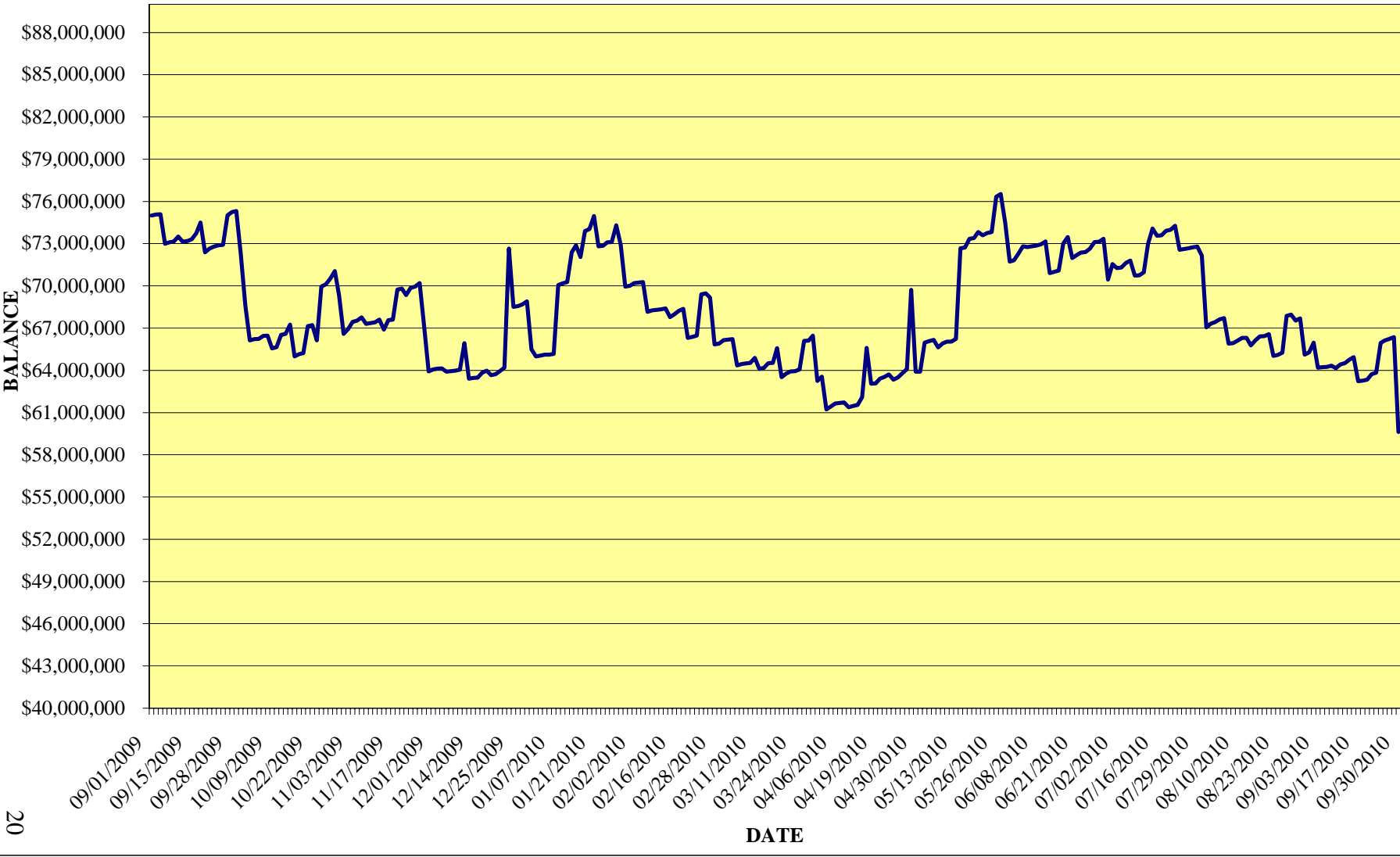
WEIGHTED AVERAGE:

INTEREST RATE OF PORTFOLIO	2.291%
YIELD TO MATURITY OF PORTFOLIO	2.105%
MATURITY OF PORTFOLIO	274 DAYS
MATURITY OF PORTFOLIO LESS POOLS	719 DAYS

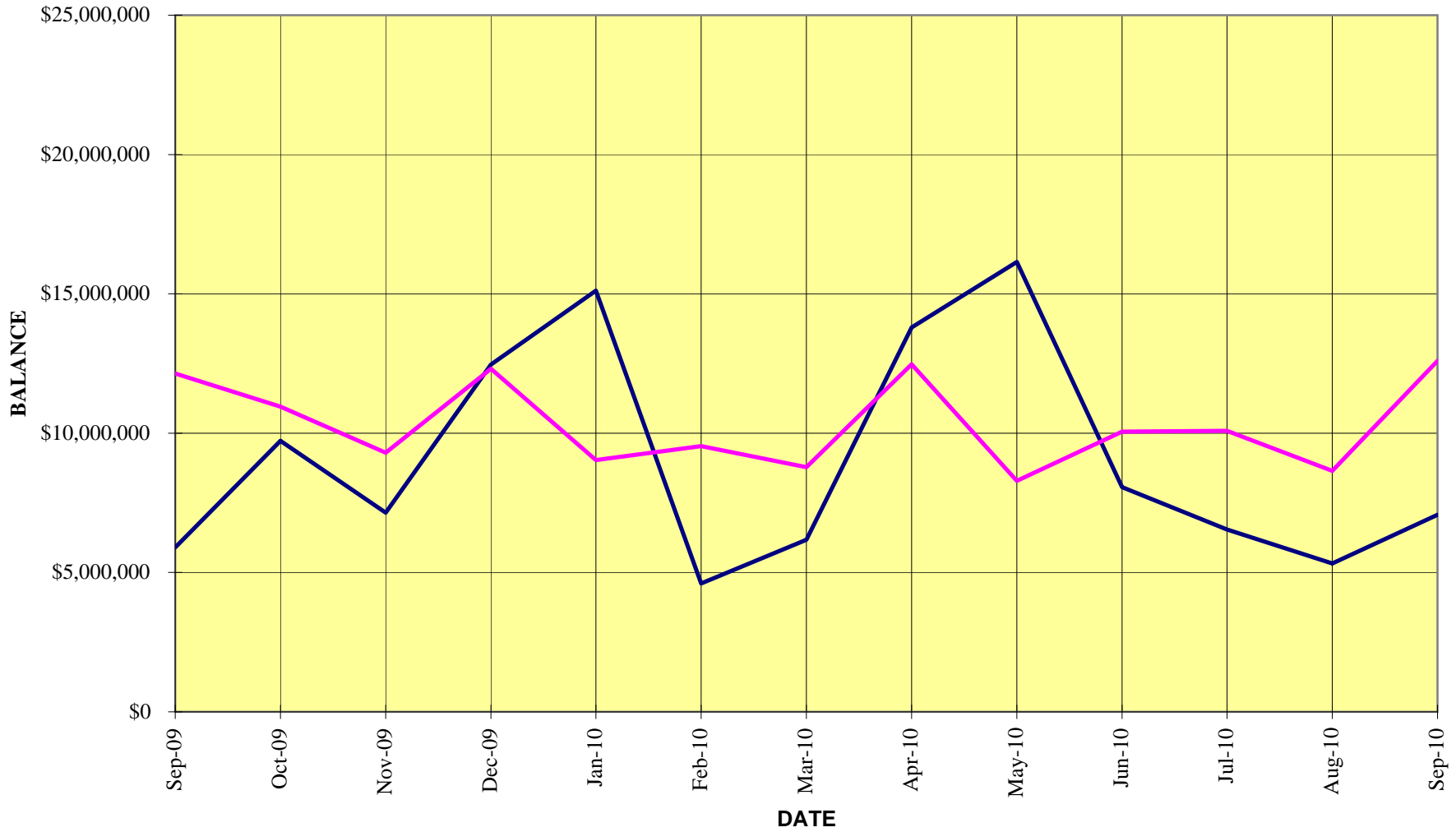
*Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012		494	5.250 %	5.149 %	2,509,000.00
*Lehman Bros. Corp. Note	01/25/2008	01/24/2013		847	5.625 %	5.250 %	2,540,700.00
							<u>\$ 5,049,700.00</u>

*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.

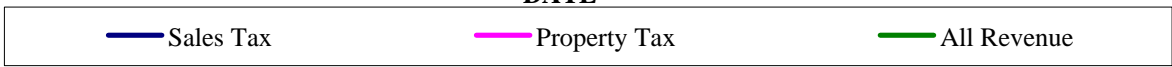
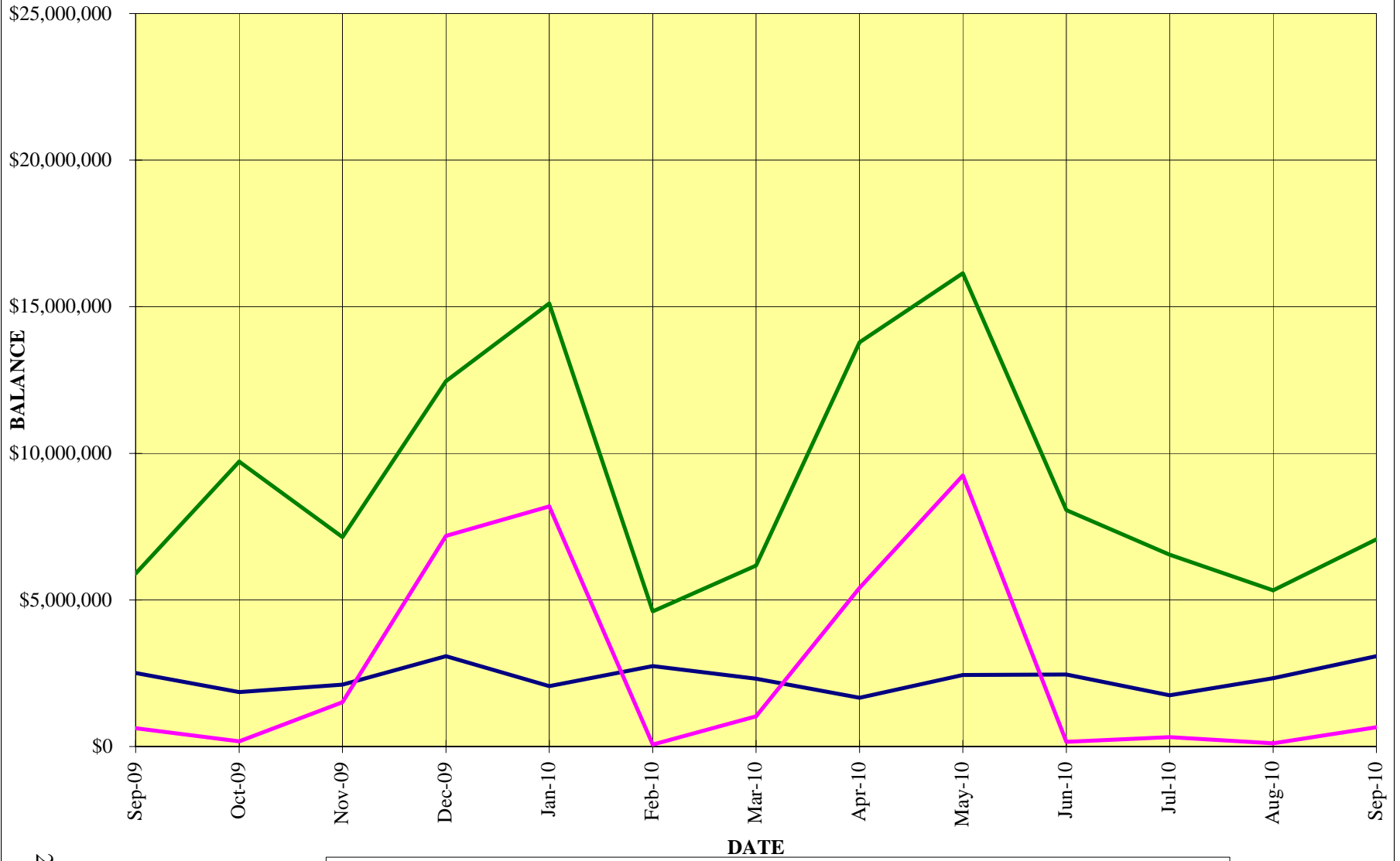
**CITY OF COSTA MESA DAILY CASH BALANCES
AS OF SEPTEMBER 30, 2010**



**CITY OF COSTA MESA CASH FLOWS BY MONTH
AS OF SEPTEMBER 30, 2010**



**CITY OF COSTA MESA REVENUE CHART
AS OF SEPTEMBER 30, 2010**



CITY OF COSTA MESA EXPENDITURE CHART AS OF SEPTEMBER 30, 2010

