



**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: SEPTEMBER 28, 2010

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

Attached is the Treasurer's Report for the month of August 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 August 31, 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 August 31, 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 August 31, 2010, was 2.141%. The yield to maturity of the portfolio was 1.971%. The current yield of the City's portfolio was 163 basis points (1.628%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .513% for the month ended August 31, 2010. The weighted average number of days to maturity for the total portfolio was 259 days (.710 years). The weighted average number of days to maturity for the total portfolio less pools was 746 days (2.044 years). The average duration for the underlying securities within LAIF as of August 31 was 194 days (0.532 years).

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

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

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

There were no securities sold during the month of August, 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. Based on the estimated level of recoveries, the estimated loss to the City would be approximately \$3-4 million dollars if the securities are held until the final distribution of Lehman's liquidated assets by the bankruptcy trustee.

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, 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 28th 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 2nd 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. Members of the working group have been asked to contact their member of Congress, and request that they endorse a letter of support, and forward it to Speaker 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 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 August, 2010

CITY OF COSTA MESA
TREASURER'S REPORT OF POOLED CASH AND INVESTMENTS
AS OF AUGUST 31, 2010

| <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 | \$693,203.47 | 61,013.59 | 629,077.09 | 125,139.97 |
| Reconciling Items | | 3,175,809.68 | 585.00 | (3,175,224.68) |
| Bank of America - Flex Benefit Plan, C.A.I. | - | - | 2,605.23 | (2,605.23) |
| Total Active Accounts | <u>693,203.47</u> | <u>3,236,823.27</u> | <u>632,267.32</u> | <u>(3,052,689.94)</u> |
| <u>INVESTMENTS</u> | | | | |
| Bank of New York-Trust Sweep Account | - | | | - |
| Local Agency Investment Fund | 41,252,327.56 | | | 41,252,327.56 |
| Medium Term Corporate Notes | 19,898,680.00 | | | 19,898,680.00 |
| Federal National Mortgage Association | 7,000,000.00 | | | 7,000,000.00 |
| Total Investments | <u>68,151,007.56</u> | <u>-</u> | <u>-</u> | <u>68,151,007.56</u> |
| <u>IMPREST ACCOUNTS</u> | | | | |
| Bank of America - Bail | 1,510.00 | - | 1,500.00 | 10.00 |
| Long Term Disability | 20,000.00 | | | 20,000.00 |
| Total Imprest Accounts | <u>21,510.00</u> | <u>-</u> | <u>1,500.00</u> | <u>20,010.00</u> |
| | <u>68,865,721.03</u> | <u>3,236,823.27</u> | <u>633,767.32</u> | <u>65,118,327.62</u> |
| City of Costa Mesa Change Funds | | | | 12,075.00 |
| ABLE Change Fund | | | | 100.00 |
| TOTAL POOLED CASH AND INVESTMENTS | | | | <u><u>\$ 65,130,502.62</u></u> |



COLLEEN O'DONOGHUE
Asst. Finance Director

9/28/10

DATE

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

| FUND NO | FUND NAME | AMOUNT |
|---------|-----------------------------------------------------|-------------------------|
| 101 | General Fund | 17,809,840.64 |
| 201 | Special Gas Tax Fund | 9,922,681.61 |
| 202 | Prop. 172 - Public Safety Fund | 412,958.85 |
| 203 | Air Quality Improvement Fund (AB 2766) | 648,817.88 |
| 205 | HUD -HOME Program-HOME Investment Partnership Act | (80,118.01) |
| 207 | HUD -Community Development Block Grant Program Fund | (16,733.28) |
| 208 | Park Development Fees Fund | 1,955,332.03 |
| 209 | Drainage Fees Fund | 715,168.69 |
| 213 | Supplemental Law Enforcement Services Fund (SLESF) | (18,488.24) |
| 214 | Traffic Impact Fees Fund | 3,557,586.86 |
| 216 | HUD -Rental Rehabilitation Program Fund | (577.96) |
| 217 | Narcotics Forfeiture Fund | 345,299.04 |
| 218 | Fire System Development Fees Fund | 447,283.08 |
| 219 | Local Law Enforcement Block | (3,876.04) |
| 220 | Office of Traffic Safety | (73,980.31) |
| 221 | Homelessness Prevention | (8,705.35) |
| 260 | Airborne Law Enforcement Fund | 706,239.67 |
| 261 | Helicopter Replacement Fund | 3,099,542.78 |
| 401 | Capital Outlay Fund | 1,352,161.70 |
| 403 | Measure "M" Construction Fund | 3,136,689.78 |
| 409 | Vehicle Parking District #1 Fund | 1,774.13 |
| 410 | Vehicle Parking District #2 Fund | 1,691.18 |
| 412 | Police Department Expansion Project | 1,583,005.45 |
| 413 | Golf Course Improvement Fund | 819,203.48 |
| 414 | Measure "M" Turnback Fund | 2,488,192.65 |
| 601 | Equipment Maintenance and Replacement Fund | 7,155,472.29 |
| 602 | Self-Insurance Fund - Liab/W.C./Unemployment | 6,354,017.04 |
| 701 | Deposits | 1,097,835.27 |
| 704 | CFD 91-1 Fund | (2,500.00) |
| 705 | Costa Mesa Community Foundation | 110,240.41 |
| 755 | Police Retirement - 1% Supplemental | 1,602,272.30 |
| | Total Pooled Cash & Investments | <u>\$ 65,118,327.62</u> |

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

| | | | |
|-----------------------------------------------------|--------------------------------|--------------------------------|------------------------------------|
| Total outstanding investments as of July 31, 2010 | | | \$ 71,192,008.16 |
| | <u>PURCHASE</u> <u>DATE</u> | <u>MATURITY</u> <u>DATE</u> | <u>COUPON</u> <u>RATE</u> |
| | | | <u>YIELD TO</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 | | | \$ (141,000.60) |
| Total outstanding investments as of August 31, 2010 | | | \$ 68,151,007.56 |

CITY OF COSTA MESA
 INVESTMENTS AND INVESTMENT EARNINGS
 AS OF AUGUST 31, 2010

| INVESTMENT | CUSIP NUMBER | INTEREST RATE | YIELD TO MATURITY | COST | INTEREST EARNED AT 08/31/2010 | PURCHASE DATE | CALL DATE | MATURITY DATE |
|---------------------------------------|--------------|---------------|-------------------|-------------------------|-------------------------------|---------------|------------|---------------|
| Wells Fargo Treas Plus Money Mkt Fd | S99998260 | 0.000% | | \$ - | | 08/31/2010 | | 08/31/2010 |
| Local Agency Investment Fund | N/A | 0.513% | | 41,252,327.56 | | 08/31/2010 | | 08/31/2010 |
| HSBC Corp. Note | 40429CCX8 | 5.250% | 4.540% | 2,038,600.00 | 13,708.32 | 02/06/2008 | | 01/14/2011 |
| Morgan Stanley Dean Witter Corp. Note | 617446GM5 | 6.750% | 4.609% | 2,127,480.00 | 51,000.00 | 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 | 35,400.00 | 12/11/2007 | | 06/19/2012 |
| Merrill Lynch Corp. Note | 59018YJ36 | 6.050% | 5.204% | 2,585,000.00 | 6,722.20 | 01/17/2008 | | 08/15/2012 |
| Goldman Sachs Corp. Note | 38144LAC4 | 5.450% | 5.257% | 3,024,900.00 | 54,499.98 | 11/08/2007 | | 11/01/2012 |
| Morgan Stanley Corp. Note | 6174462T5 | 5.250% | 5.349% | 1,991,400.00 | 34,708.32 | 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 | 75,555.55 | 04/15/2008 | 07/15/2008 | 04/15/2013 |
| Federal National Mortgage Association | 3136F9GW7 | 4.050% | 4.050% | 2,000,000.00 | 29,925.00 | 04/18/2008 | 07/18/2008 | 04/18/2013 |
| TOTAL | | | | <u>\$ 68,151,007.56</u> | <u>301,519.37</u> | | | |

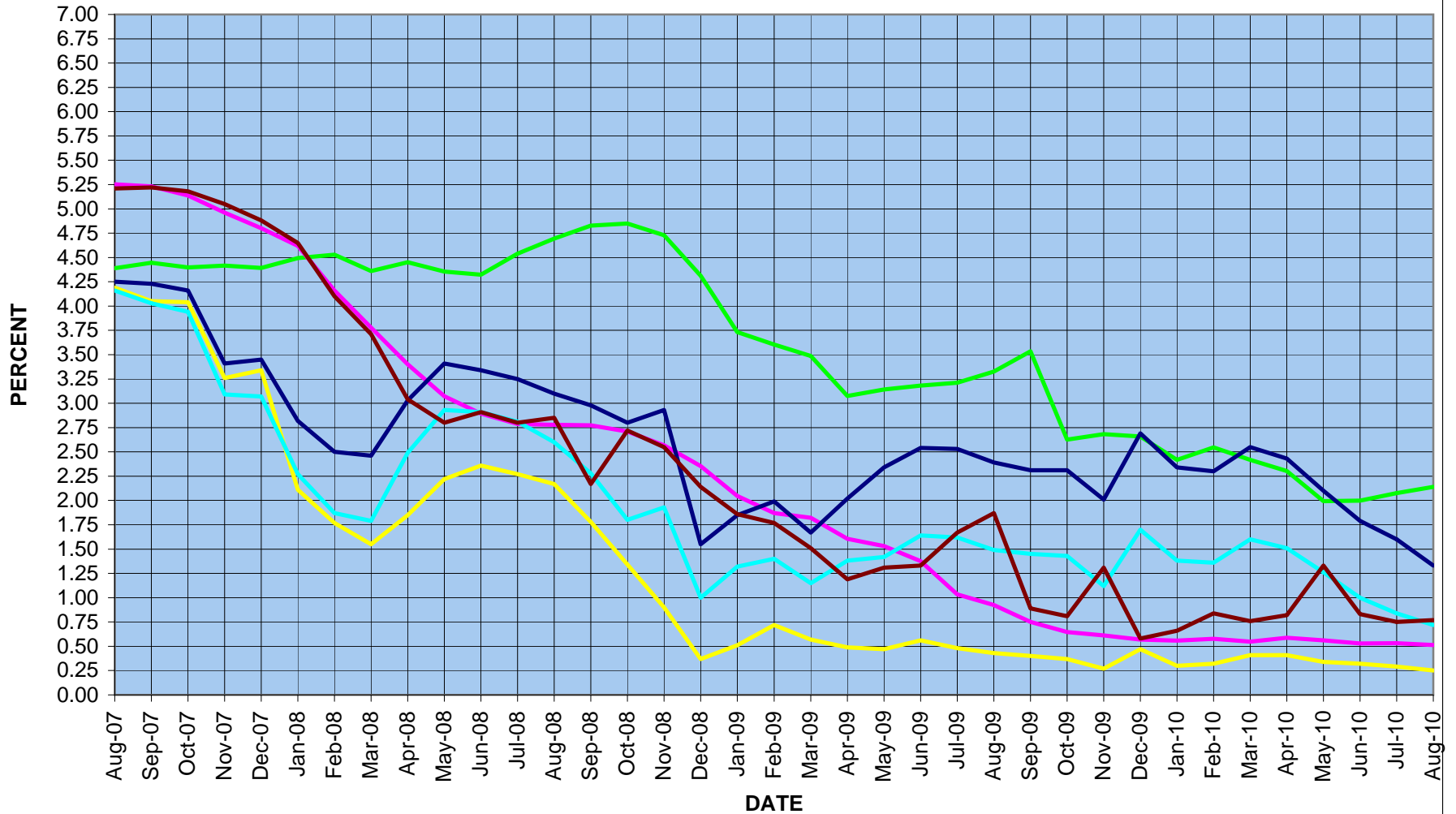
KEY: BA - Banker's Acceptance
 CD - Certificate of Deposit
 CP - Commercial Paper

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

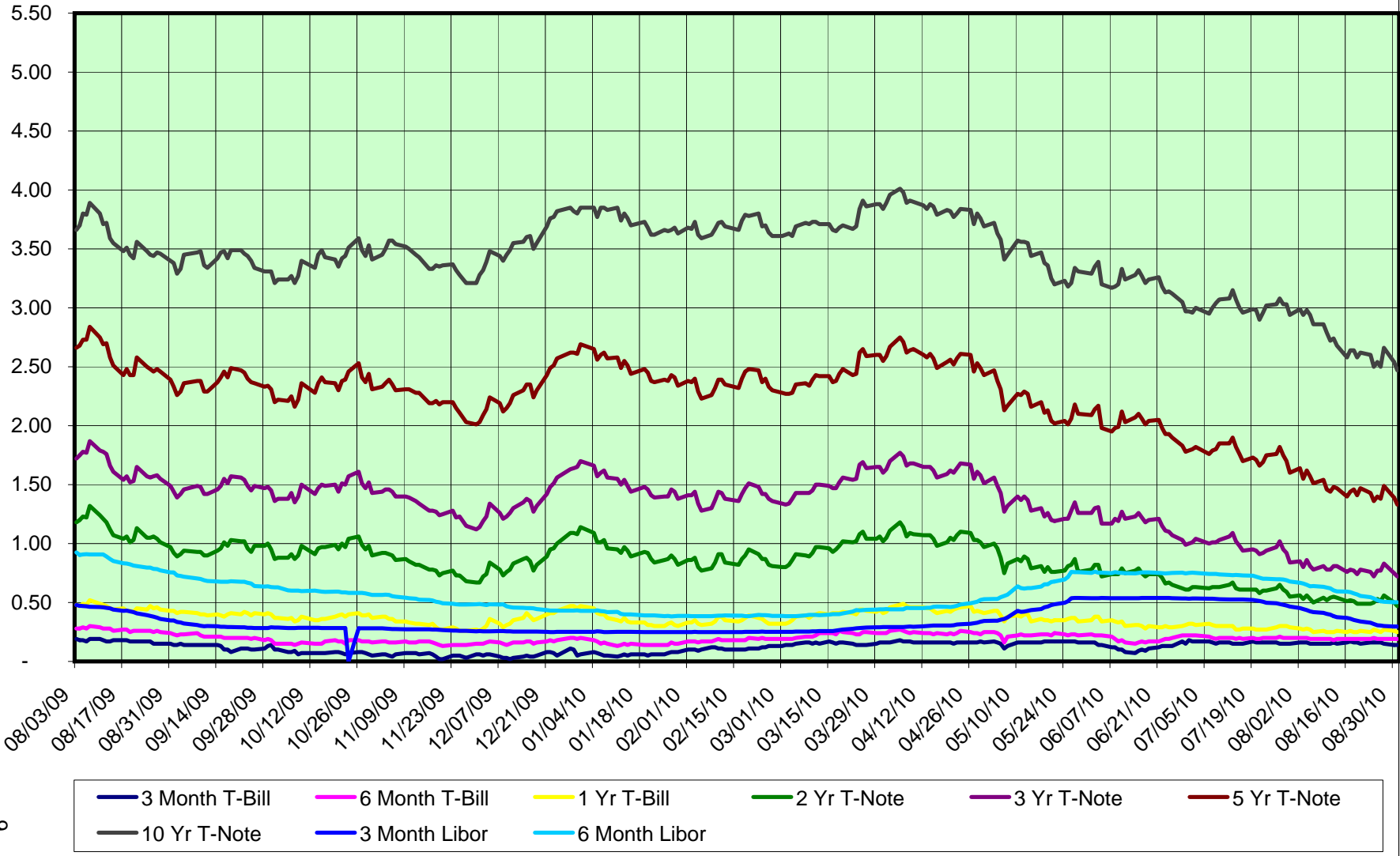
FFCB - Federal Farm Credit Bank
 FHLB - Federal Home Loan Bank
 STP - State Treasurers Pool

SW - Sweep

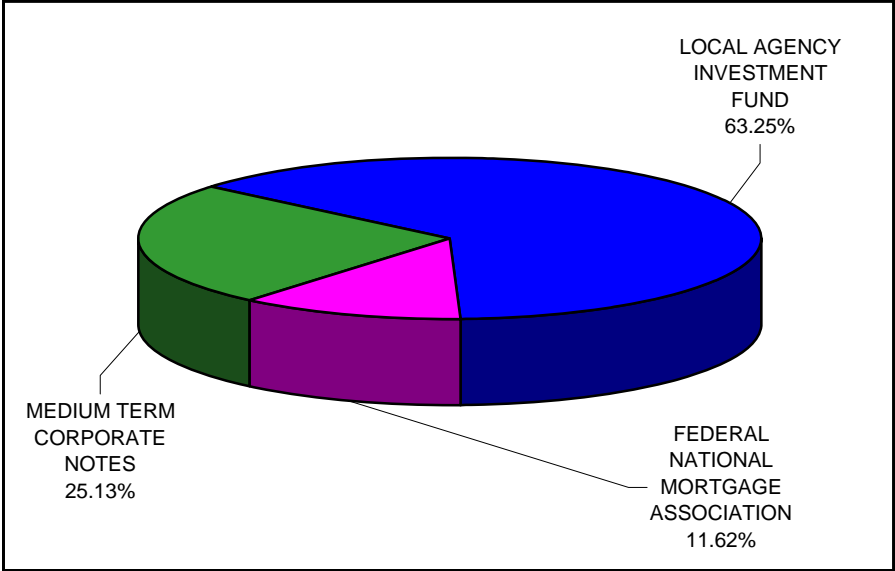
CITY OF COSTA MESA - PORTFOLIO INTEREST RATE INFORMATION AS OF AUGUST 31, 2010



2010/2011 Market Rates as of August 31, 2010



CITY OF COSTA MESA - ASSET ALLOCATION AS OF AUGUST 31, 2010



| | | In Thousands |
|----------------------------------------|---------------------------------------|-------------------------|
| ■ | Local Agency Investment Fund | \$ 41,252 |
| ■ | Federal National Mortgage Association | 7,000 |
| ■ | Medium Term Corporate Notes | <u>19,899</u> |
| | Total | <u><u>\$ 68,151</u></u> |

% Rounded 5/4

CITY OF COSTA MESA
SUMMARY OF POLICY LIMITATIONS
AS OF AUGUST 31, 2010

| DESCRIPTION | CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 08/31/10 | 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 | 11.62% | 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 | 25.13% | 30.00% |
| Repurchase Agreements | 0.00% | UNLIMITED |
| Reverse Repurchase Agreements | 0.00% | 10% of base |
| LAIF (Local Agency Investment Fund) | 63.25% | \$ 50,000,000.00 |
| Current Balance | | \$ 41,252,327.56 |
| 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 | 69.55% | no less than 20% |
| % of Portfolio Maturing or Callable within one year | 69.55% | |

(1) Current dollar weighted average maturity as of 08/31/10 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 AUGUST 31, 2010

| INSTITUTION | TYPE OF INVESTMENT | PURCHASE DATE | MATURITY DATE | INTEREST RATE | COST | MARKET VALUE AS OF 08/31/10 | % of PORTFOLIO | SPECIAL CHARACTERISTICS OF INVESTMENTS |
|----------------------------------------------------|---------------------------------------|---------------|---------------|---------------|-------------------------|-----------------------------|----------------|-------------------------------------------------------------------|
| Local Agency Investment Fund | POOL | N/A | CONTINUOUS | 0.513 % (1) | \$ 41,252,327.56 | 41,252,327.56 | 63.25% | 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 | 02/06/2008 | 01/14/2011 | 5.250 % (4) | 2,038,600.00 | 2,031,000.00 | | 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 | 2,074,200.00 | | 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 | 525,000.00 | | 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 | 3,192,360.00 | | 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 | 2,682,200.00 | | 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 | 3,215,340.00 | | 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 | 2,127,840.00 | | 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 | 540,625.00 | | Bullet; Moody's/S & P rated as A1/A+e *(CR - DEFAULT) |
| Total Medium Term Corporate Notes | | | | | <u>19,898,680.00</u> | <u>16,388,565.00</u> | <u>25.13%</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 | 2,166,875.00 | | Fixed rate, callable with 10 days notice only on 07/18/08 |
| Total Federal National Mortgage Association | | | | | <u>7,000,000.00</u> | <u>7,576,250.00</u> | <u>11.62%</u> | % Rounded 5/4 |
| Total Outstanding Investments | | | | | <u>\$ 68,151,007.56</u> | <u>65,217,142.56</u> | <u>100.00%</u> | *CR = Current rating as of August 18, 2010 |

INTEREST RATE LEGEND

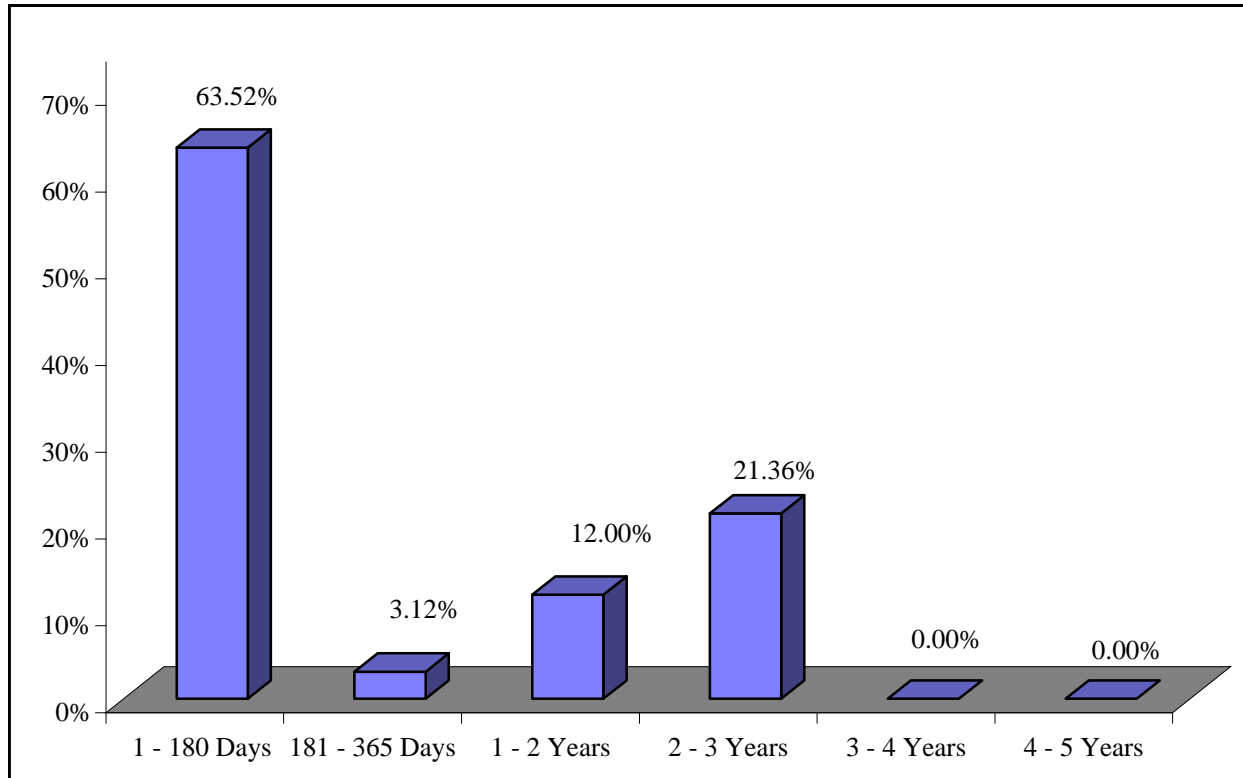
(1) LAIF rate quoted as of the last day of the month

(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 AUGUST 31, 2010



| | In Thousands |
|----------------|-------------------------|
| 1 - 180 Days | \$ 43,291 |
| 181 - 365 Days | 2,127 |
| 1 - 2 Years | 8,176 |
| 2 - 3 Years | 14,557 |
| 3 - 4 Years | - |
| 4 - 5 Years | - |
| TOTAL | <u><u>\$ 68,151</u></u> |

% Rounded 5/4

CITY OF COSTA MESA
PERCENT OF PORTFOLIO INVESTED IN FEDERAL AGENCIES
SEPTEMBER 2006 THROUGH AUGUST 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> |
| September 2006 | 13.17% | 39.36% | 18.80% | 16.25% | 87.58% |
| 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 | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>11.62%</u> | <u>11.62%</u> |
| AVERAGE | 6.25% | 16.81% | 14.51% | 13.95% | 51.51% |

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY
AS OF AUGUST 31, 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 | \$ 41,252,327.56 | 41,252,327.56 | 41,252,327.56 | - | - |
| Stagecoach Treasury Money Market Fund | N/A | CONTINUOUS | - | - | - | - | - |
| Percent maturing in 2010 | | | 60.53% | 41,252,327.56 | 41,252,327.56 | - | - |
| 2011: | | | | | | | |
| HSBC Corp. Note | 02/06/2008 | 01/14/2011 | 2,000,000.00 | 2,038,600.00 | 2,031,000.00 | 13,708.32 | (7,600.00) |
| Morgan Stanley Dean Witter Corp. Note | 01/17/2008 | 04/15/2011 | 2,000,000.00 | 2,127,480.00 | 2,074,200.00 | 51,000.00 | (53,280.00) |
| Percent maturing in 2011 | | | 6.11% | 4,000,000.00 | 4,105,200.00 | 64,708.32 | (60,880.00) |
| 2012: | | | | | | | |
| Lehman Bros. Hldg. Corp. Note | 01/23/2008 | 02/06/2012 | 2,500,000.00 | 2,509,000.00 | 525,000.00 | - | (1,984,000.00) |
| HSBC Corp. Note | 12/11/2007 | 06/19/2012 | 3,000,000.00 | 3,081,600.00 | 3,192,360.00 | 35,400.00 | 110,760.00 |
| Merrill Lynch Corp. Note | 01/17/2008 | 08/15/2012 | 2,500,000.00 | 2,585,000.00 | 2,682,200.00 | 6,722.20 | 97,200.00 |
| Goldman Sachs Corp. Note | 11/08/2007 | 11/01/2012 | 3,000,000.00 | 3,024,900.00 | 3,215,340.00 | 54,499.98 | 190,440.00 |
| Morgan Stanley Corp. Note | 11/02/2007 | 11/02/2012 | 2,000,000.00 | 1,991,400.00 | 2,127,840.00 | 34,708.32 | 136,440.00 |
| Percent maturing in 2012 | | | 19.36% | 13,000,000.00 | 11,742,740.00 | 131,330.50 | (1,449,160.00) |
| 2013: | | | | | | | |
| Lehman Bros. Hldg. Corp. Note | 01/25/2008 | 01/24/2013 | 2,500,000.00 | 2,540,700.00 | 540,625.00 | - | (2,000,075.00) |
| Federal National Mortgage Association | 04/15/2008 | 04/15/2013 | 5,000,000.00 | 5,000,000.00 | 5,409,375.00 | 75,555.55 | 409,375.00 |
| Federal National Mortgage Association | 04/18/2008 | 04/18/2013 | 2,000,000.00 | 2,000,000.00 | 2,166,875.00 | 29,925.00 | 166,875.00 |
| Percent maturing in 2013 | | | 14.00% | 9,500,000.00 | 8,116,875.00 | 105,480.55 | (1,423,825.00) |
| Total outstanding investments | | | 100.00% | \$ 67,752,327.56 | 68,151,007.56 | 65,217,142.56 | 301,519.37 |

* 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 AUGUST 31, 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 | \$ - | - | - | - |
| 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>\$ 1,312,501.42</u> | <u>1,312,501.42</u> | <u>1,312,501.42</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 | 0.01 |
| | 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 | 159,855.69 | 159,855.69 | 159,855.69 | - |
| 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 | 31,565.50 | 31,565.50 | 31,565.50 | - |
| 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 | 4,987.29 | 4,987.29 | 4,987.29 | - |
| Surplus Fund | Treasury Obligations Fund | First American Funds | Open | 42,212.10 | 42,212.10 | 42,212.10 | - |
| | Ending Balances | | | <u>\$ 2,513,375.58</u> | <u>2,513,375.58</u> | <u>2,513,375.58</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 | 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 | 83,505.72 | 83,505.72 | 83,505.72 | 1.260 |
| | Ending Balances | | | <u>\$ 83,505.72</u> | <u>83,505.72</u> | <u>83,505.72</u> | |

CITY OF COSTA MESA
SUMMARY OF CASH HELD IN TRUST
AS OF AUGUST 31, 2010

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 | 37,393.71 | 37,393.71 | 37,393.71 | (1) |
| | Ending Balances | | | <u>\$ 37,393.71</u> | <u>37,393.71</u> | <u>37,393.71</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

\$ 8,223,657.21 \$ 8,148,117.71 \$ 8,148,117.71

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 AUGUST 31, 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 | 0.513 % | 0.513 % | \$ 41,252,327.56 |
| WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND | | | | 1 | - % | - % | - |
| HSBC Corp. Note | 02/06/2008 | 01/14/2011 | | 136 | 5.250 % | 4.540 % | 2,038,600.00 |
| Morgan Stanley Corp. Note | 01/17/2008 | 04/15/2011 | | 227 | 6.750 % | 4.609 % | 2,127,480.00 |
| HSBC Corp. Note | 12/11/2007 | 06/19/2012 | | 658 | 5.900 % | 5.216 % | 3,081,600.00 |
| Merrill Lynch Corp. Note | 01/17/2008 | 08/15/2012 | | 715 | 6.050 % | 5.204 % | 2,585,000.00 |
| Goldman Sachs Corp. Note | 11/08/2007 | 11/01/2012 | | 793 | 5.450 % | 5.257 % | 3,024,900.00 |
| Morgan Stanley Corp. Note | 11/02/2007 | 11/02/2012 | | 794 | 5.250 % | 5.349 % | 1,991,400.00 |
| FNMA | 04/15/2008 | 04/15/2013 | 07/15/2008 | 958 | 4.000 % | 4.000 % | 5,000,000.00 |
| FNMA | 04/18/2008 | 04/18/2013 | 07/18/2008 | 961 | 4.050 % | 4.050 % | 2,000,000.00 |
| Total outstanding investments | | | | | | | <u>\$ 63,101,307.56</u> |

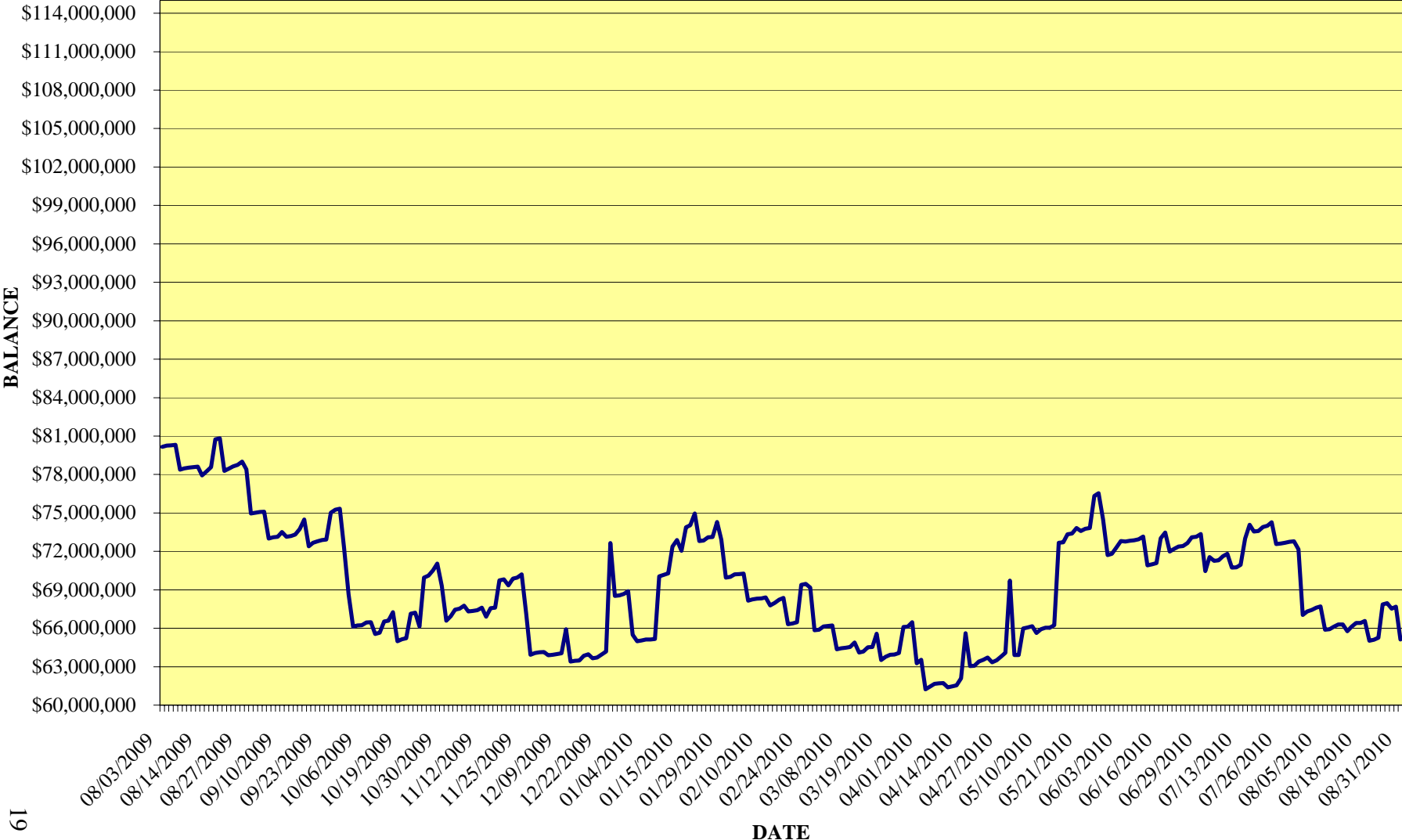
WEIGHTED AVERAGE:

| | |
|----------------------------------|----------|
| INTEREST RATE OF PORTFOLIO | 2.141% |
| YIELD TO MATURITY OF PORTFOLIO | 1.971% |
| MATURITY OF PORTFOLIO | 259 DAYS |
| MATURITY OF PORTFOLIO LESS POOLS | 746 DAYS |

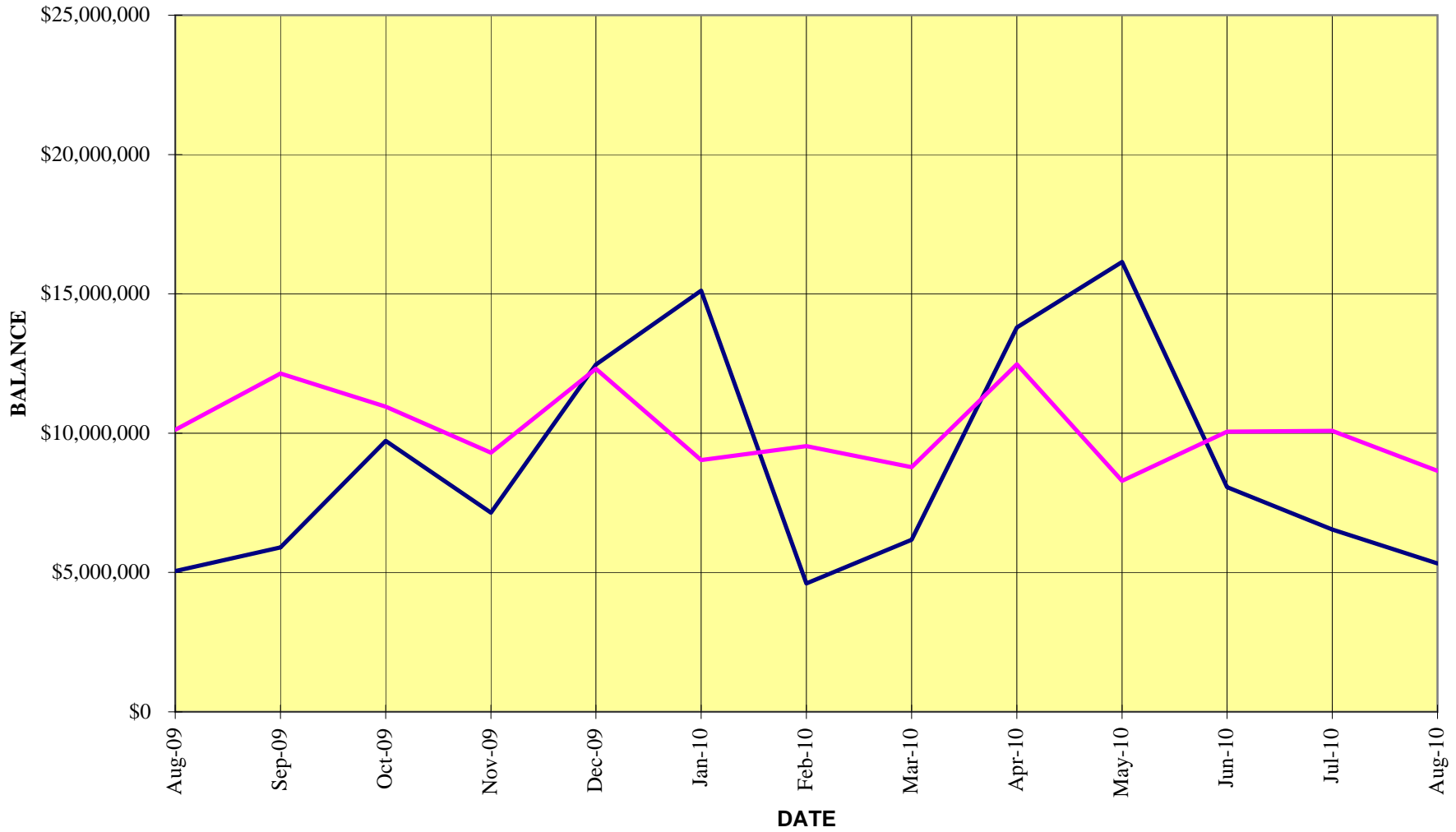
| | | | | | | | |
|--------------------------------|------------|------------|--|-----|---------|---------|------------------------|
| *Lehman Bros. Hldg. Corp. Note | 01/23/2008 | 02/06/2012 | | 524 | 5.250 % | 5.149 % | 2,509,000.00 |
| *Lehman Bros. Corp. Note | 01/25/2008 | 01/24/2013 | | 877 | 5.625 % | 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.

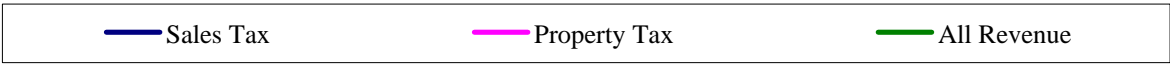
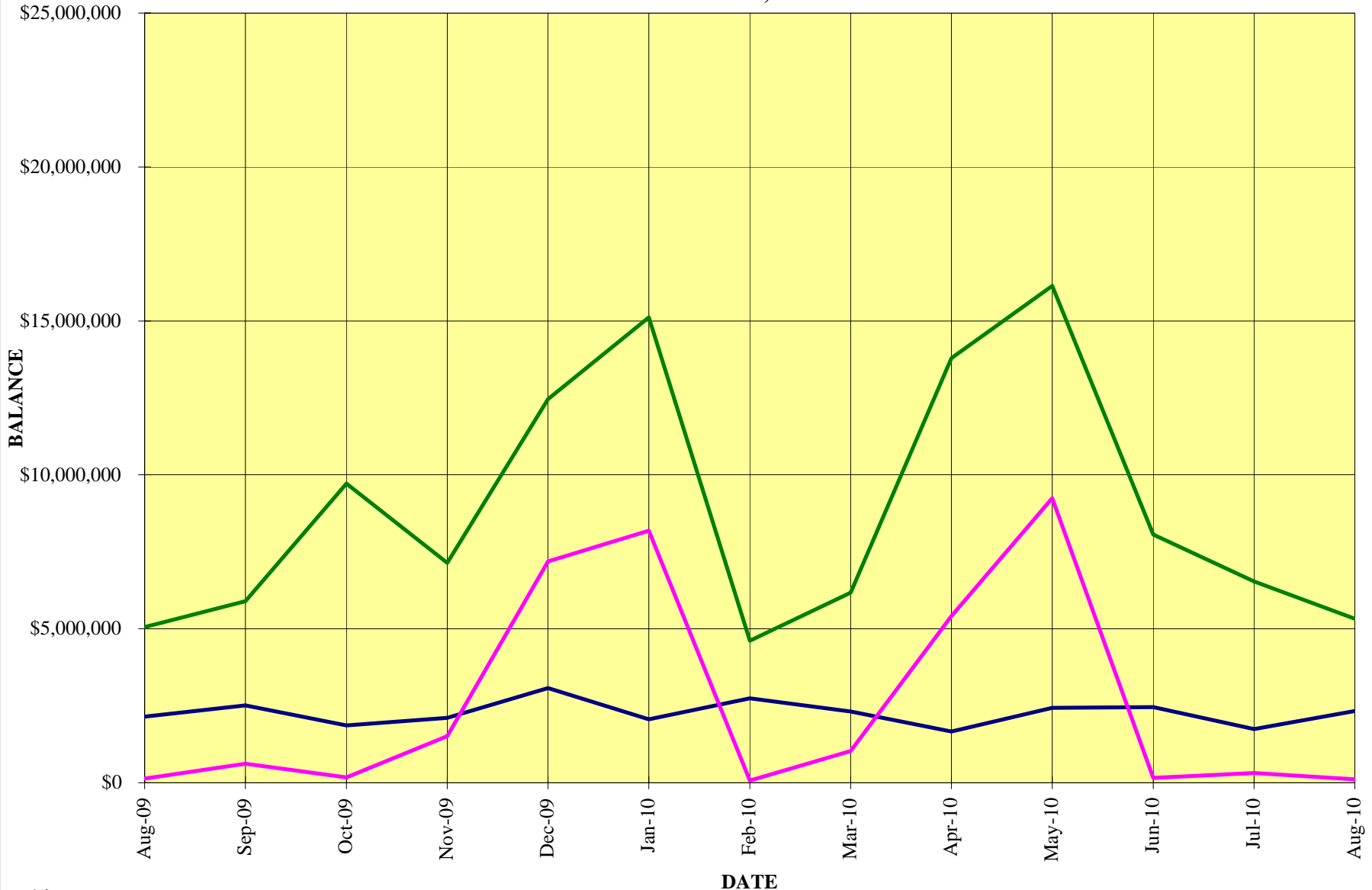
**CITY OF COSTA MESA DAILY CASH BALANCES
AS OF AUGUST 31, 2010**



**CITY OF COSTA MESA CASH FLOWS BY MONTH
AS OF AUGUST 31, 2010**



CITY OF COSTA MESA REVENUE CHART AS OF AUGUST 31, 2010



**CITY OF COSTA MESA EXPENDITURE CHART
AS OF AUGUST 31, 2010**

