



**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:** FEBRUARY 19, 2010

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

Attached is the Treasurer's Report for the month of January 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 January 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 January 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 January 31, 2010, was 2.419%. The yield to maturity of the portfolio was 2.245%. The current yield of the City's portfolio was 186 basis points (1.861%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .5580% for the month ended January 31, 2010. The weighted average number of days to maturity for the total portfolio was 468 days (1.282 years). The weighted average number of days to maturity for the total portfolio less pools was 915 days (2.507 years).

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

There were no securities maturing during the month of January, 2010.

The following securities were called during the month of January, 2010.

<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>
FHLMC	04/30/2009	3,515,859.38	2.250%	2.077%	1.615%	01/20/2012

There were no securities sold during the month of January, 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 September 15, 2008 and the investment grade rating had been confirmed by Moody's Investors Services as recently as September 10, 2008.

As a result of the bankruptcy filing, these securities are currently trading at 15-18 cents on the dollar and have a current market value of \$750,000 - \$900,000. The current estimates for recoveries through the bankruptcy proceedings are between 20-40 cents on the dollar. 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. Fitch Investors Services, a bond rating agency, has issued an analysis of potential recoveries by Lehman Brothers' creditors. Per this analysis, senior debt holders, such as the City of Costa Mesa, are projected to receive between 80-90 cents on the dollar once the bankruptcy trustee has sold all of Lehman's assets and distributed those assets among creditors. However, it is believed that this analysis overstates the value of Lehman's real estate holdings in the current market environment.

In order to maximize recoveries through the bankruptcy proceeding and protect the City's interests, former Finance Director Marc Puckett 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 Eschoo 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. Eschoo and Rep. Speier requested a meeting with Secretary Geithner to further discuss this matter. The meeting was held on October 28<sup>th</sup> 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. Eschoo 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. Eschoo 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, however it does appear that the issue is in a holding pattern.

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.



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COLLEEN O'DONOGHUE  
Assistant Finance Director

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

**CITY OF COSTA MESA**  
**TREASURER'S REPORT OF POOLED CASH AND INVESTMENTS**  
**AS OF JANUARY 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 Reconciling Items	\$1,342,832.20	447,935.89	1,786,404.12	4,363.97
Bank of America - Flex Benefit Plan, C.A.I.	-	4,406,725.88	5,963.52	(4,400,762.36)
Total Active Accounts	<u>1,342,832.20</u>	<u>4,854,661.77</u>	<u>1,799,156.87</u>	<u>(4,403,187.62)</u>
 <u>INVESTMENTS</u> 				
Bank of New York-Trust Sweep Account	-			-
Local Agency Investment Fund	33,903,442.90			33,903,442.90
Medium Term Corporate Notes	19,898,680.00			19,898,680.00
Federal Farm Credit Bank	5,000,000.00			5,000,000.00
Federal Home Loan Mortgage Corporation	5,036,718.75			5,036,718.75
Federal Home Loan Bank	2,000,000.00			2,000,000.00
Federal National Mortgage Association	8,500,000.00			8,500,000.00
Total Investments	<u>74,338,841.65</u>	<u>-</u>	<u>-</u>	<u>74,338,841.65</u>
 <u>IMPREST ACCOUNTS</u> 				
Bank of America - Bail	912.00	-	902.00	10.00
Long Term Disability	20,000.00			20,000.00
Total Imprest Accounts	<u>20,912.00</u>	<u>-</u>	<u>902.00</u>	<u>20,010.00</u>
	<u>75,702,585.85</u>	<u>4,854,661.77</u>	<u>1,800,058.87</u>	<u>69,955,664.03</u>
City of Costa Mesa Change Funds				12,075.00
ABLE Change Fund				100.00
<b>TOTAL POOLED CASH AND INVESTMENTS</b>				<u><u>\$ 69,967,839.03</u></u>



COLLEEN O'DONOGHUE  
Asst. Finance Director

2/25/10

DATE

**POOLED CASH AND INVESTMENTS BY FUND**  
**FOR THE MONTH ENDING JANUARY 2010**

FUND NO	FUND NAME	AMOUNT
101	General Fund	\$ 18,188,772.20
201	Special Gas Tax Fund	8,389,800.06
202	Prop. 172 - Public Safety Fund	(161,173.43)
203	Air Quality Improvement Fund (AB 2766)	600,012.14
205	HUD -HOME Program-HOME Investment Partnership Act	(269,537.09)
207	HUD -Community Development Block Grant Program Fund	112,716.50
208	Park Development Fees Fund	2,279,696.38
209	Drainage Fees Fund	959,426.62
213	Supplemental Law Enforcement Services Fund (SLESF)	(53,161.97)
214	Traffic Impact Fees Fund	3,566,847.76
216	HUD -Rental Rehabilitation Program Fund	(577.96)
217	Narcotics Forfeiture Fund	467,258.28
218	Fire System Development Fees Fund	440,919.72
219	Local Law Enforcement Block	(8,095.36)
220	Office of Traffic Safety	(80,501.07)
260	Airborne Law Enforcement Fund	692,267.57
261	Helicopter Replacement Fund	2,870,109.94
401	Capital Outlay Fund	1,863,192.00
403	Measure "M" Construction Fund	3,100,032.94
409	Vehicle Parking District #1 Fund	1,583.02
410	Vehicle Parking District #2 Fund	1,532.61
412	Police Department Expansion Project	1,592,414.92
413	Golf Course Improvement Fund	770,296.44
414	Measure "M" Turnback Fund	2,809,350.33
601	Equipment Maintenance and Replacement Fund	8,154,824.62
602	Self-Insurance Fund - Liab/W.C./Unemployment	10,226,020.02
701	Deposits	1,641,737.51
704	CFD 91-1 Fund	2,090.75
705	Costa Mesa Community Foundation	97,409.54
755	Police Retirement - 1% Supplemental	1,712,574.04
	Total Pooled Cash & Investments	<u>\$ 69,967,839.03</u>

**CITY OF COSTA MESA**  
**INVESTMENT ACTIVITY SUMMARY**  
**FOR THE MONTH OF JANUARY 2010**

Total outstanding investments as of December 31, 2009 \$ 69,353,081.48

	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>YIELD TO MATURITY</u>	<u>COST</u>
Investment Purchases:					-
Total Purchases: None					-
Investment Maturities:					-
Total Maturities: None					-
Investment Calls:					
Federal Home Loan Mortgage Corporation	04/30/2009	01/20/2012	2.250%	2.077%	(3,515,859.38)
Total Calls:					(3,515,859.38)
Investments Sold:					
Total Sales: None					-
Net increase (decrease) in LAIF					8,631,369.81
Net increase (decrease) in Sweep Account					(129,750.26)
Total outstanding investments as of January 31, 2010					<u>\$ 74,338,841.65</u>

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

INVESTMENT	CUSIP NUMBER	INTEREST RATE	YIELD TO MATURITY	COST	INTEREST	PURCHASE DATE	CALL DATE	MATURITY DATE
					EARNED AT 01/31/2010			
Wells Fargo Treas Plus Money Mkt Fd	S99998260	0.010%		\$ -		01/31/2010		01/31/2010
Local Agency Investment Fund	N/A	0.558%		33,903,442.90		01/31/2010		01/31/2010
HSBC Corp. Note	40429CCX8	5.250%	4.540%	2,038,600.00	4,958.32	02/06/2008		01/14/2011
Morgan Stanley Dean Witter Corp. Note	617446GM5	6.750%	4.609%	2,127,480.00	39,750.00	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
Federal Home Loan Mortgage Corporation	3128X8SK9	2.500%	2.236%	5,036,718.75	44,444.40	04/30/2009	03/23/2010	03/23/2012
Federal Farm Credit Bank	31331GUD9	2.030%	2.030%	5,000,000.00	26,502.75	04/27/2009	04/27/2010	04/27/2012
HSBC Corp. Note	40429CFZ0	5.900%	5.216%	3,081,600.00	20,649.99	12/11/2007		06/19/2012
Merrill Lynch Corp. Note	59018YJ36	6.050%	5.204%	2,585,000.00	69,743.05	01/17/2008		08/15/2012
Federal National Mortgage Association	3136FHCU7	2.500%	2.500%	1,500,000.00	14,687.49	03/10/2009	03/10/2010	09/10/2012
Goldman Sachs Corp. Note	38144LAC4	5.450%	5.257%	3,024,900.00	40,875.00	11/08/2007		11/01/2012
Morgan Stanley Corp. Note	6174462T5	5.250%	5.349%	1,991,400.00	25,958.32	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	58,888.85	04/15/2008	07/15/2008	04/15/2013
Federal National Mortgage Association	3136F9GW7	4.050%	4.050%	2,000,000.00	23,175.00	04/18/2008	07/18/2008	04/18/2013
Federal Home Loan Bank	3133XQVY5	4.125%	4.125%	2,000,000.00	17,875.00	05/13/2013	05/13/2010	05/13/2013
<b>TOTAL</b>				<b>\$ 74,338,841.65</b>	<b>387,508.17</b>			

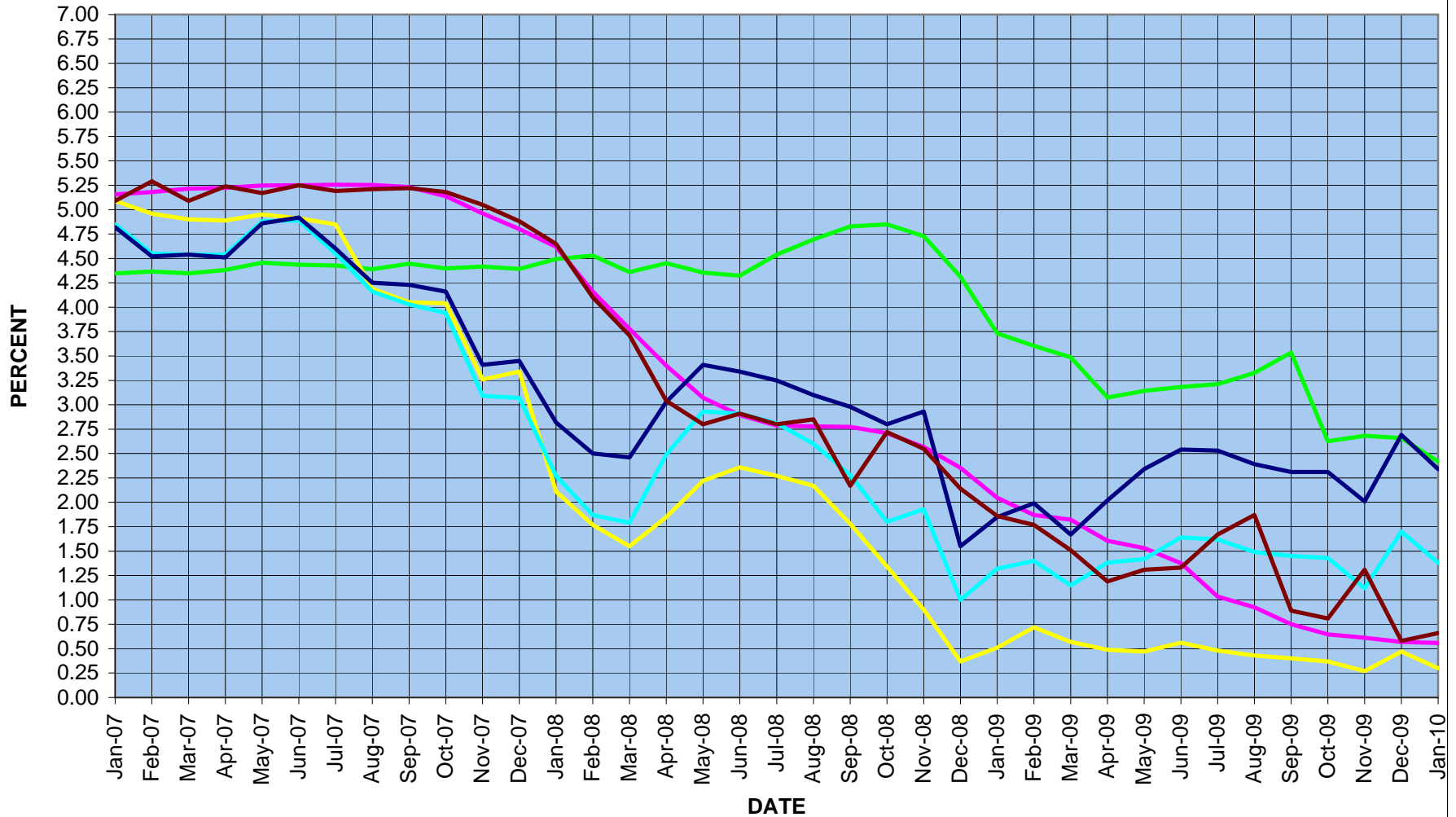
KEY: BA - Banker's Acceptance  
 CD - Certificate of Deposit  
 CP - Commercial Paper

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

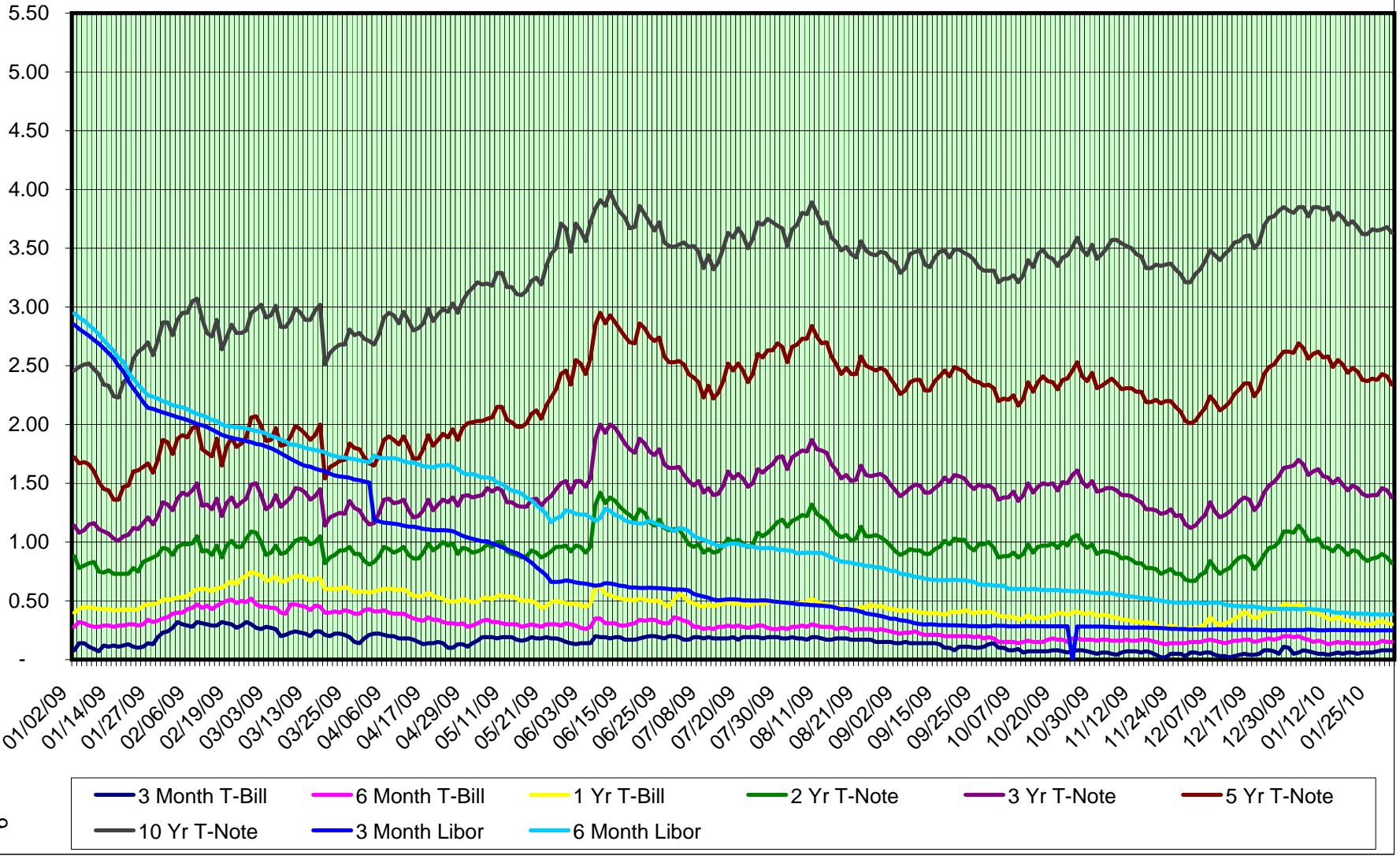
SW - Sweep

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

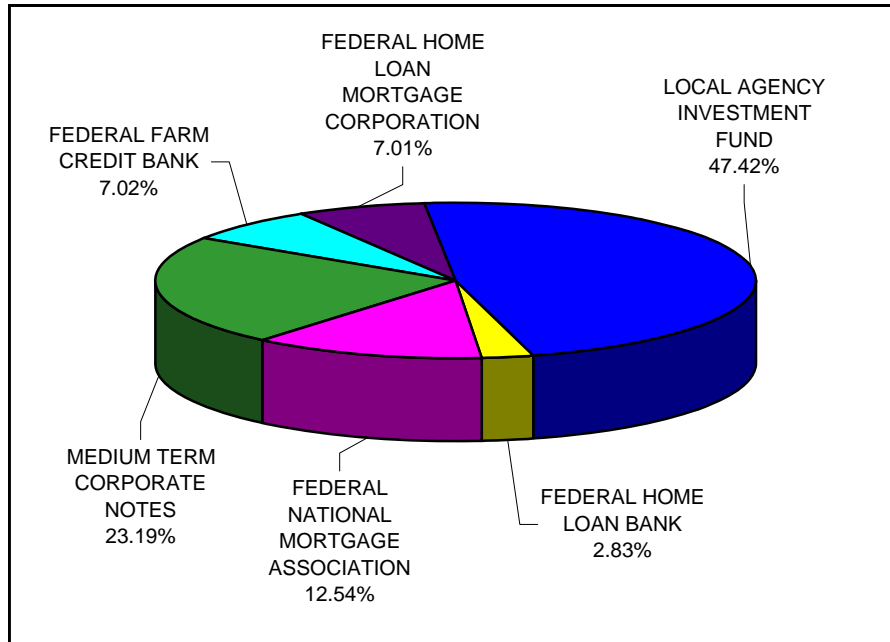










### 2009/2010 Market Rates as of January 31, 2010



## CITY OF COSTA MESA - ASSET ALLOCATION AS OF JANUARY 31, 2010



	In Thousands
 Local Agency Investment Fund	\$ 33,903
 Federal Home Loan Bank	2,000
 Federal National Mortgage Association	8,500
 Medium Term Corporate Notes	19,899
 Federal Farm Credit Bank	5,000
 Federal Home Loan Mortgage Corporation	<u>5,037</u>
<b>Total</b>	<u><u>\$ 74,339</u></u>

% Rounded 5/4

**CITY OF COSTA MESA**  
**SUMMARY OF POLICY LIMITATIONS**  
**AS OF JANUARY 31, 2010**

DESCRIPTION	CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 01/31/10	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	7.02%	60.00%
FLB	0.00%	60.00%
FHLB	2.83%	60.00%
FNMA	12.54%	60.00%
FHLMC	7.01%	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	23.19%	30.00%
Repurchase Agreements	0.00%	UNLIMITED
Reverse Repurchase Agreements	0.00%	10% of base
LAIF (Local Agency Investment Fund)	47.42%	\$ 40,000,000.00
Current Balance		\$ 33,903,442.90
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	50.32%	no less than 20%
% of Portfolio Maturing or Callable within one year	66.38%	

(1) Current dollar weighted average maturity as of 01/31/10 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 JANUARY 31, 2010**

INSTITUTION	TYPE OF INVESTMENT	PURCHASE DATE	MATURITY DATE	INTEREST RATE	COST	MARKET VALUE AS OF 01/31/10	% of PORTFOLIO	SPECIAL CHARACTERISTICS OF INVESTMENTS
Local Agency Investment Fund	POOL	N/A	CONTINUOUS	0.558 % (1)	\$ 33,903,442.90	33,903,442.90	47.42%	Local Agency Investment Fund - State Treasurer's Pool
Wells Fargo Treas Plus Money Mkt	Money Market Fund	N/A	CONTINUOUS	0.010 % (2)	-	-	0.00%	Stagecoach Funds Inc. Treasury Money Market Mutual Fund
<b>Medium Term Corporate Notes:</b>								
Morgan Stanley	HSBC Corp. Note	02/06/2008	01/14/2011	5.250 % (4)	2,038,600.00	2,076,820.00		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	2,129,720.00		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	521,875.00		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	3,233,820.00		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	2,701,075.00		Bullet; Moody's/S & P rated as A1/A+ *(CR - A2/A stable outlook)
Morgan Stanley	Goldman Sachs Corp. Note	11/08/2007	11/01/2012	5.450 % (4)	3,024,900.00	3,228,120.00		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	2,144,240.00		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	543,750.00		Bullet; Moody's/S & P rated as A1/A+e *(CR - DEFAULT)
<b>Total Medium Term Corporate Notes</b>					<u>19,898,680.00</u>	<u>16,579,420.00</u>	<u>23.19%</u>	
<b>Federal Farm Credit Bank</b>								
Morgan Stanley	FFCB	04/27/2009	04/27/2012	2.030 % (4)	5,000,000.00	5,018,750.00		Fixed rate, callable with 7 days notice on or after 04/27/10
<b>Total Federal Farm Credit Bank</b>					<u>5,000,000.00</u>	<u>5,018,750.00</u>	<u>7.02%</u>	
<b>Federal Home Loan Mortgage Corporation</b>								
Morgan Keegan	FHLMC	04/30/2009	03/23/2012	2.500 % (4)	5,036,718.75	5,013,000.00		Fixed rate, callable with 5 days notice only on 03/23/10
<b>Total Federal Home Loan Mortgage Corporation</b>					<u>5,036,718.75</u>	<u>5,013,000.00</u>	<u>7.01%</u>	
<b>Federal Home Loan Bank</b>								
Morgan Stanley	FHLB	05/13/2008	05/13/2013	4.125 % (4)	2,000,000.00	2,021,875.00		Fixed rate, callable with 5 days notice on or after 05/13/10
<b>Total Federal Home Loan Bank</b>					<u>2,000,000.00</u>	<u>2,021,875.00</u>	<u>2.83%</u>	
<b>Federal National Mortgage Association:</b>								
Morgan Keegan	FNMA	03/10/2009	09/10/2012	2.500 % (4)	1,500,000.00	1,502,812.50		Fixed rate, callable with 10 days notice only on 03/10/10
Morgan Keegan	FNMA	04/15/2008	04/15/2013	4.000 % (4)	5,000,000.00	5,328,125.00		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	2,134,375.00		Fixed rate, callable with 10 days notice only on 07/18/08
<b>Total Federal National Mortgage Association</b>					<u>8,500,000.00</u>	<u>8,965,312.50</u>	<u>12.54%</u>	% Rounded 5/4
<b>Total Outstanding Investments</b>					<u>\$ 74,338,841.65</u>	<u>71,501,800.40</u>	<u>100.00%</u>	*CR = Current rating as of January 15, 2010

**INTEREST RATE LEGEND**

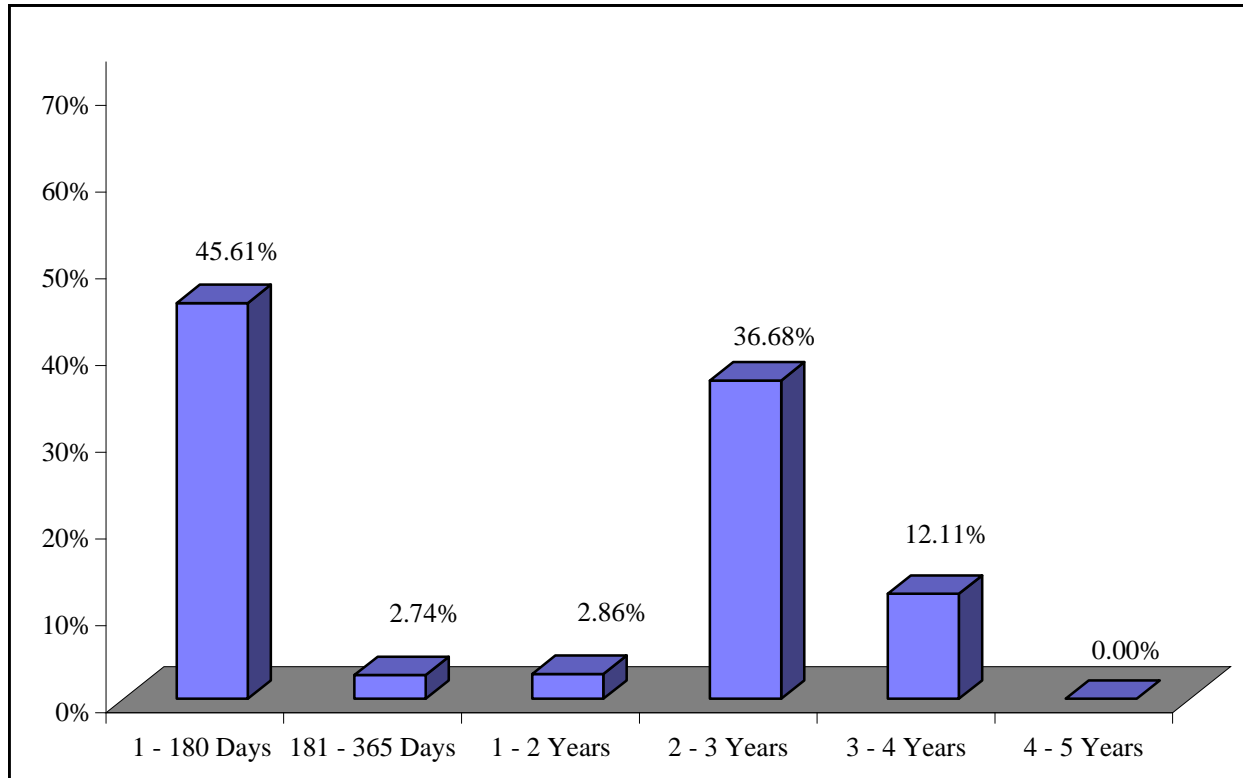
(1) LAIF rate quoted as of the last day of the month

(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 JANUARY 31, 2010



	In Thousands
1 - 180 Days	\$ 33,903
181 - 365 Days	2,039
1 - 2 Years	2,128
2 - 3 Years	27,269
3 - 4 Years	9,000
4 - 5 Years	-
<b>TOTAL</b>	<b><u>\$ 74,339</u></b>

% Rounded 5/4

**CITY OF COSTA MESA**  
**PERCENT OF PORTFOLIO INVESTED IN FEDERAL AGENCIES**  
**FEBRUARY 2006 THROUGH JANUARY 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>
February 2006	8.52%	37.88%	16.49%	10.74%	73.62%
March 2006	8.77%	38.96%	16.94%	13.18%	77.86%
April 2006	13.75%	37.90%	16.48%	12.83%	80.96%
May 2006	12.86%	38.34%	18.31%	16.86%	86.37%
June 2006	12.82%	38.18%	18.23%	16.79%	86.01%
July 2006	12.62%	37.68%	17.99%	16.54%	84.83%
August 2006	12.72%	38.02%	18.16%	16.67%	85.58%
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	<u>7.02%</u>	<u>2.83%</u>	<u>7.01%</u>	<u>12.54%</u>	<u>29.40%</u>
<b>AVERAGE</b>	<b>7.64%</b>	<b>22.18%</b>	<b>16.90%</b>	<b>14.44%</b>	<b>61.16%</b>

**CITY OF COSTA MESA  
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY  
AS OF JANUARY 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>
<b>2010:</b>							
Local Agency Investment Fund	N/A	CONTINUOUS	33,903,442.90	33,903,442.90	33,903,442.90	-	-
Stagecoach Treasury Money Market Fund	N/A	CONTINUOUS	-	-	-	-	-
<b>Percent maturing in 2010</b>			<b>45.61%</b>	<b>33,903,442.90</b>	<b>33,903,442.90</b>	<b>-</b>	<b>-</b>
<b>2011:</b>							
HSBC Corp. Note	02/06/2008	01/14/2011	2,000,000.00	2,038,600.00	2,076,820.00	4,958.32	38,220.00
Morgan Stanley Dean Witter Corp. Note	01/17/2008	04/15/2011	2,000,000.00	2,127,480.00	2,129,720.00	39,750.00	2,240.00
<b>Percent maturing in 2011</b>			<b>5.60%</b>	<b>4,000,000.00</b>	<b>4,206,540.00</b>	<b>44,708.32</b>	<b>40,460.00</b>
<b>2012:</b>							
Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012	2,500,000.00	2,509,000.00	521,875.00	-	(1,987,125.00)
* Federal Home Loan Mortgage Corporation	04/30/2009	03/23/2012	5,000,000.00	5,036,718.75	5,013,000.00	44,444.40	(23,718.75)
* Federal Farm Credit Bank	04/27/2009	04/27/2012	5,000,000.00	5,000,000.00	5,018,750.00	26,502.75	18,750.00
HSBC Corp. Note	12/11/2007	06/19/2012	3,000,000.00	3,081,600.00	3,233,820.00	20,649.99	152,220.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012	2,500,000.00	2,585,000.00	2,701,075.00	69,743.05	116,075.00
* Federal National Mortgage Association	03/10/2009	09/10/2012	1,500,000.00	1,500,000.00	1,502,812.50	14,687.49	2,812.50
Goldman Sachs Corp. Note	11/08/2007	11/01/2012	3,000,000.00	3,024,900.00	3,228,120.00	40,875.00	203,220.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012	2,000,000.00	1,991,400.00	2,144,240.00	25,958.32	152,840.00
<b>Percent maturing in 2012</b>			<b>33.26%</b>	<b>24,500,000.00</b>	<b>24,728,618.75</b>	<b>242,861.00</b>	<b>(1,364,926.25)</b>
<b>2013:</b>							
Lehman Bros. Hldg. Corp. Note	01/25/2008	01/24/2013	2,500,000.00	2,540,700.00	543,750.00	-	(1,996,950.00)
Federal National Mortgage Association	04/15/2008	04/15/2013	5,000,000.00	5,000,000.00	5,328,125.00	58,888.85	328,125.00
Federal National Mortgage Association	04/18/2008	04/18/2013	2,000,000.00	2,000,000.00	2,134,375.00	23,175.00	134,375.00
* Federal Home Loan Bank	05/13/2008	05/13/2013	2,000,000.00	2,000,000.00	2,021,875.00	17,875.00	21,875.00
<b>Percent maturing in 2013</b>			<b>15.52%</b>	<b>11,500,000.00</b>	<b>11,540,700.00</b>	<b>99,938.85</b>	<b>(1,512,575.00)</b>
Total outstanding investments			<b>100.00%</b>	<b>\$ 73,903,442.90</b>	<b>74,338,841.65</b>	<b>71,501,800.40</b>	<b>387,508.17</b>

\* 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 JANUARY 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	1,312,501.32	1,312,501.32	1,312,501.32	-
	Ending Balances			<u>\$ 1,312,501.32</u>	<u>1,312,501.32</u>	<u>1,312,501.32</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	159,855.69	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	129,271.76	129,271.76	129,271.76	-
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>\$ 2,611,081.84</u>	<u>2,611,081.84</u>	<u>2,611,081.84</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	462,327.51	462,327.51	462,327.51	0.01
	Ending Balances			<u>\$ 2,759,531.90</u>	<u>2,759,531.90</u>	<u>2,759,531.90</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	\$ 7,878.44	7,878.44	7,878.44	(1)
Cost Sharing Infrastructure	Money Market Fund	Orange County Investment Pool	Open	56,903.30	56,903.30	56,903.30	
	Ending Balances			<u>\$ 64,781.74</u> (2)	<u>64,781.74</u>	<u>64,781.74</u>	

**USS Cal Builders Inc./City of Costa Mesa Retention Escrow Account**

Trustee: 1st Enterprise Bank

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Account	Money Market Fund	1st Enterprise Bank Money Market Account	Open	\$ 2,123.99	2,123.99	2,123.99	(1)
	Ending Balances			<u>\$ 2,123.99</u>	<u>2,123.99</u>	<u>2,123.99</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	\$ 218,087.76	218,087.76	218,087.76	1.260
	Ending Balances			<u>\$ 218,087.76</u>	<u>218,087.76</u>	<u>218,087.76</u>	



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

**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	64,282.76	64,282.76	64,282.76	1.260
	Ending Balances			<u>\$ 64,282.76</u>	<u>64,282.76</u>	<u>64,282.76</u>	

**RJ Noble Company/City of Costa Mesa Retention Escrow Account #2893-119**

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	144,781.50	144,781.50	144,781.50	(1)
	Ending Balances			<u>\$ 144,781.50</u>	<u>144,781.50</u>	<u>144,781.50</u>	

**GRAND TOTALS**

\$ 8,536,140.40      8,536,140.40      8,536,140.40

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, and the County of Orange

(1) Monthly rates/balances are not available

(2) Balance reflects quarter ending September 30, 2009

**CITY OF COSTA MESA  
OUTSTANDING INVESTMENTS  
AS OF JANUARY 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	0.558 %	0.558 %	\$ 33,903,442.90
WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND				1	0.010 %	0.010 %	-
HSBC Corp. Note	02/06/2008	01/14/2011		348	5.250 %	4.540 %	2,038,600.00
Morgan Stanley Corp. Note	01/17/2008	04/15/2011		439	6.750 %	4.609 %	2,127,480.00
FHLMC	04/30/2009	03/23/2012	03/23/2010	782	2.500 %	2.236 %	5,036,718.75
FFCB	04/27/2009	04/27/2012	04/27/2010	817	2.030 %	2.030 %	5,000,000.00
HSBC Corp. Note	12/11/2007	06/19/2012		870	5.900 %	5.216 %	3,081,600.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012		927	6.050 %	5.204 %	2,585,000.00
FNMA	03/10/2009	09/10/2012	03/10/2010	953	2.500 %	2.500 %	1,500,000.00
Goldman Sachs Corp. Note	11/08/2007	11/01/2012		1,005	5.450 %	5.257 %	3,024,900.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012		1,006	5.250 %	5.349 %	1,991,400.00
FNMA	04/15/2008	04/15/2013	07/15/2008	1,170	4.000 %	4.000 %	5,000,000.00
FNMA	04/18/2008	04/18/2013	07/18/2008	1,173	4.050 %	4.050 %	2,000,000.00
FHLB	05/13/2008	05/13/2013	05/13/2010	1,198	4.125 %	4.125 %	2,000,000.00
Total outstanding investments							<u>\$ 69,289,141.65</u>

WEIGHTED AVERAGE:

INTEREST RATE OF PORTFOLIO	2.419%	
YIELD TO MATURITY OF PORTFOLIO	2.245%	
MATURITY OF PORTFOLIO	468	DAYS
MATURITY OF PORTFOLIO LESS POOLS	915	DAYS

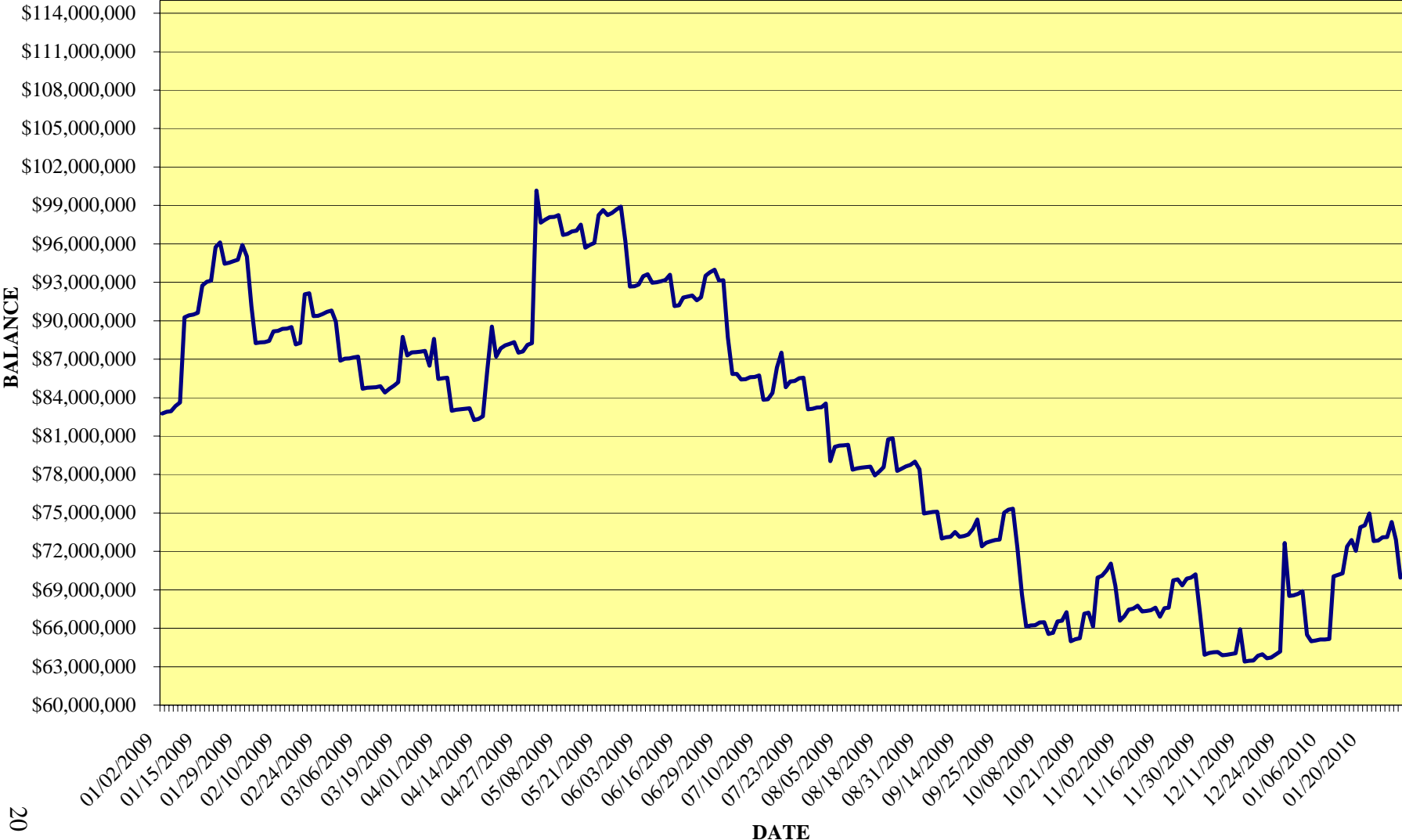
*Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012		736	5.250 %	5.149 %	2,509,000.00
*Lehman Bros. Corp. Note	01/25/2008	01/24/2013		1,089	5.625 %	5.250 %	2,540,700.00
							<u>\$ 5,049,700.00</u>

\*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.

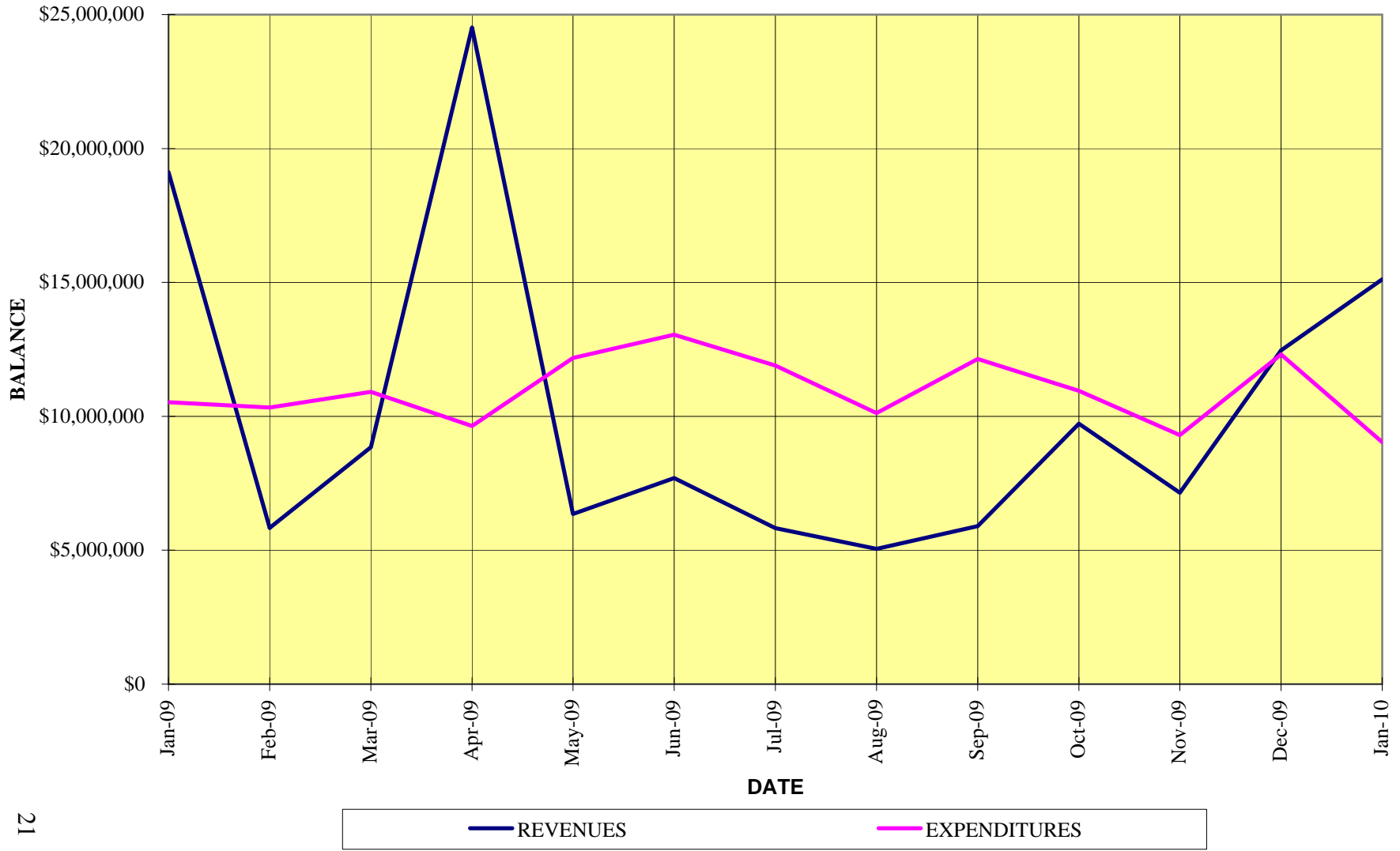
**CITY OF COSTA MESA  
CALL SCHEDULE  
AS OF JANUARY 31, 2010**

<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	FNMA	03/10/2009	09/10/2012	2.500%	2.500%	2.500%	03/10/2010	\$ 1,500,000.00
MORGAN KEEGAN	FHLMC	04/30/2009	03/23/2012	2.500%	2.236%	1.671%	03/23/2010	5,036,718.75
MORGAN STANLEY	FFCB	04/27/2009	04/27/2012	2.030%	2.030%	2.030%	04/27/2010	5,000,000.00
MORGAN STANLEY	FHLB	05/13/2008	05/13/2013	4.125%	4.125%	4.125%	05/13/2010	2,000,000.00
							TOTAL	<u>\$ 13,536,718.75</u>

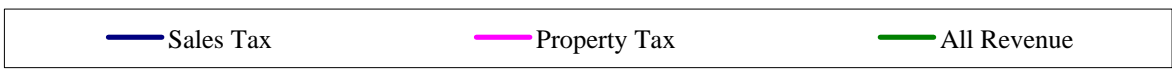
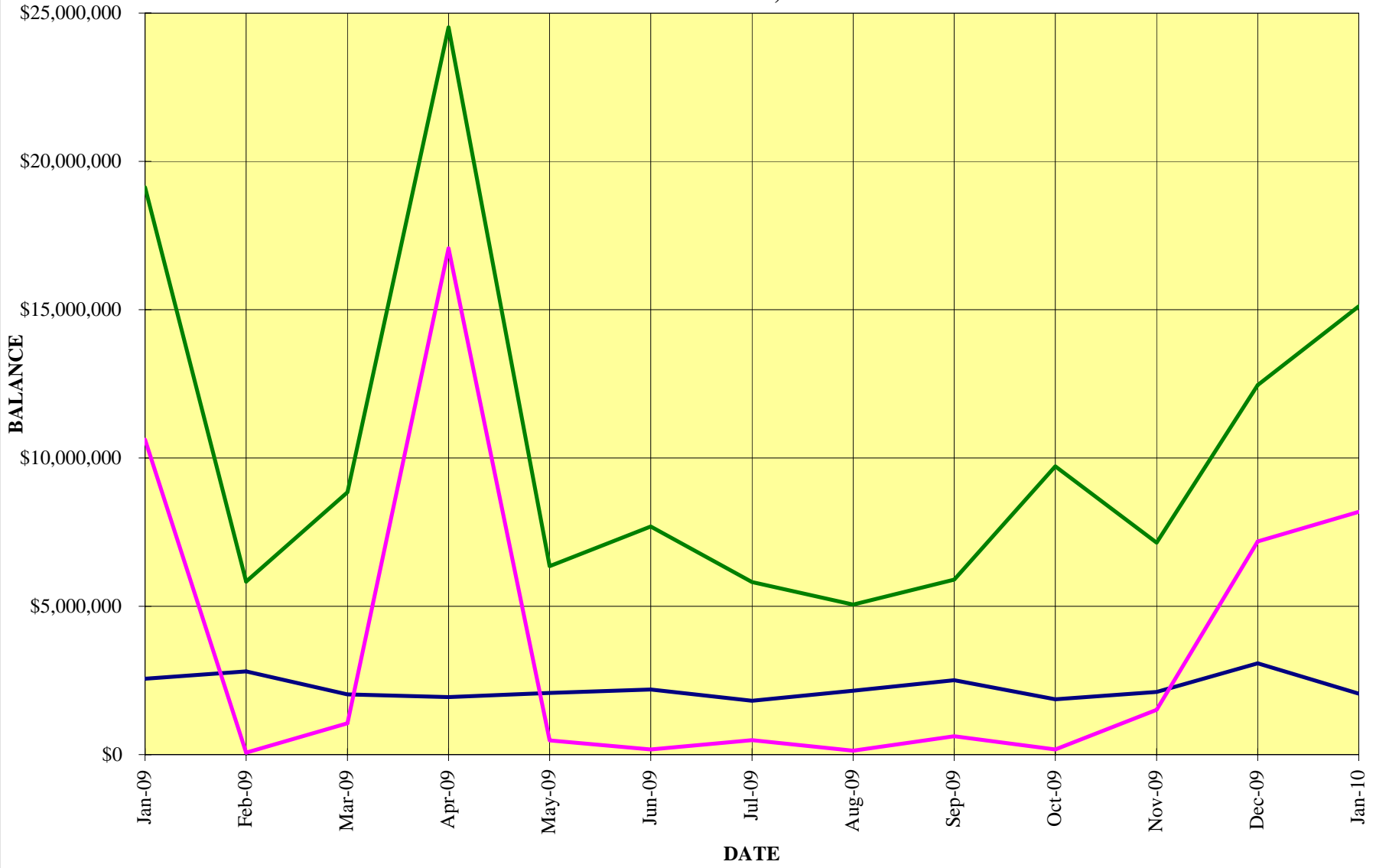
**CITY OF COSTA MESA DAILY CASH BALANCES  
AS OF JANUARY 31, 2010**



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



**CITY OF COSTA MESA REVENUE CHART  
AS OF JANUARY 31, 2010**



### CITY OF COSTA MESA EXPENDITURE CHART AS OF JANUARY 31, 2010

