



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

TO: HONORABLE CITY COUNCIL

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

DATE: FEBRUARY 21, 2012

SUBJECT: *TREASURER'S REPORT FOR THE MONTH OF JANUARY, 2012*

Attached is the Treasurer's Report for the month of January 2012. 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, 2012, 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, 2012, 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, 2012, was 1.655%. The yield to maturity of the portfolio was 1.591%. The current yield of the City's portfolio was 127 basis points (1.270%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .385% for the month ended January 31, 2012. The weighted average number of days to maturity for the total portfolio was 336 days (.921 years). The weighted average number of days to maturity for the total portfolio less pools was 769 days (2.107 years). The average duration for the underlying securities within LAIF as of January 31 was 245 days (0.671 years).

The following securities were purchased during the month of January, 2012:

<u>Type of Investment</u>	<u>Purchase Date</u>	<u>Cost</u>	<u>Coupon Interest Rate</u>	<u>Yield to Maturity</u>	<u>Yield to Call</u>	<u>Maturity Date</u>
FFCB	01/09/2012	3,000,000.00	.770%	.770%	.770%	01/09/2015
FHLB	01/23/2012	2,000,000.00	1.340%	1.340%	1.340%	01/23/2017
FNMA	01/25/2012	3,000,000.00	1.125%	1.125%	1.125%	01/25/2017
FHLMC	01/30/2012	2,000,000.00	1.000%	1.000%	1.000%	10/30/2015

There were no securities called during the month of January, 2012.

There were no securities sold during the month of January, 2012.

There were no securities matured during the month of January, 2012.

COMPLIANCE REPORTING

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

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

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

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


BOBBY YOUNG
Finance & I.T. Director

Attachment: Treasurer's Report for the month of January, 2012

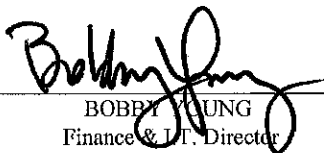
CITY OF COSTA MESA
TREASURER'S REPORT OF POOLED CASH AND INVESTMENTS
AS OF JANUARY 31, 2012

<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	\$2,324,394.26	172,036.43	1,961,757.29	534,673.40
Reconciling Items		9,231.15	1,095.50	8,135.65
Vendor Payment Account		-	35,180.98	(35,180.98)
Bank of America - Flex Benefit Plan, C.A.I.		-	5,475.08	(5,475.08)
Total Active Accounts	<u>2,324,394.26</u>	<u>181,267.58</u>	<u>2,003,508.85</u>	<u>502,152.99</u>

<u>INVESTMENTS</u>	<u>COST</u>			
Bank of New York-Trust Sweep Account	-			-
Local Agency Investment Fund	40,834,859.65			40,834,859.65
Medium Term Corporate Notes	10,682,900.00			10,682,900.00
Federal Home Loan Mortgage Corporation	4,000,000.00			4,000,000.00
Federal Home Loan Bank	2,000,000.00			2,000,000.00
Federal Farm Credit Bank	5,000,000.00			5,000,000.00
Federal National Mortgage Association	10,000,000.00			10,000,000.00
	<u>72,517,759.65</u>			<u>72,517,759.65</u>
Market Value Adjustment at 06-30-2011				813,171.25
				<u>73,330,930.90</u>

<u>DEFAULTED SECURITIES</u>				
Lehman Bros. Corp. Notes	5,049,700.00			5,049,700.00
Market Value Adjustment at 06-30-2011				(3,734,075.00)
				<u>1,315,625.00</u>
Total Investments	<u>77,567,459.65</u>	<u>-</u>	<u>-</u>	<u>74,646,555.90</u>

<u>IMPREST ACCOUNTS</u>				
Bank of America - Bail	263.00	-	253.00	10.00
Long Term Disability	20,000.00			20,000.00
Total Imprest Accounts	<u>20,263.00</u>	<u>-</u>	<u>253.00</u>	<u>20,010.00</u>
	<u>79,912,116.91</u>	<u>181,267.58</u>	<u>2,003,761.85</u>	<u>75,168,718.89</u>
City of Costa Mesa Change Funds				12,075.00
ABLE Change Fund				100.00
TOTAL POOLED CASH AND INVESTMENTS				<u>\$ 75,180,893.89</u>


 BOBBY CHUNG
 Finance & I.T. Director

2/28/12
 DATE

POOLED CASH AND INVESTMENTS BY FUND
FOR THE MONTH ENDING JANUARY 31, 2012

FUND NO	FUND NAME	AMOUNT
101	General Fund	\$ 26,034,311.51 *
201	Special Gas Tax Fund	11,378,396.30
202	Prop. 172 - Public Safety Fund	349,955.26
203	Air Quality Improvement Fund (AB 2766)	535,501.37
205	HUD -HOME Program-HOME Investment Partnership Act	(103,656.19)
207	HUD -Community Development Block Grant Program Fund	(1,578.90)
208	Park Development Fees Fund	1,447,471.27
209	Drainage Fees Fund	946,502.45
213	Supplemental Law Enforcement Services Fund (SLESF)	(21,969.20)
214	Traffic Impact Fees Fund	3,738,291.06
216	HUD -Rental Rehabilitation Program Fund	(577.96)
217	Narcotics Forfeiture Fund	911,736.60
218	Fire System Development Fees Fund	730,701.31
219	Local Law Enforcement Block	30,704.03
221	Homelessness Prevention	(42,904.80)
260	Airborne Law Enforcement Fund	548,479.16
261	Helicopter Replacement Fund	3,181,770.07
401	Capital Outlay Fund	1,549,566.58
403	Measure "M" Construction Fund	4,721,189.12
409	Vehicle Parking District #1 Fund	2,443.84
410	Vehicle Parking District #2 Fund	2,247.54
413	Golf Course Improvement Fund	686,442.71
414	Measure "M" Turnback Fund	2,595,998.15
415	Measure "M" 2 Fund	(666,689.85)
416	Measure "M" 2 Fairshare Fund	1,059,605.83
601	Equipment Maintenance and Replacement Fund	6,167,017.23
602	Self-Insurance Fund - Liab/W.C./Unemployment	6,452,751.94
701	Deposits	1,519,057.82
704	CFD 91-1 Fund	2,095.96
705	Costa Mesa Community Foundation	105,894.39
755	Police Retirement - 1% Supplemental	1,320,139.29
	Total Pooled Cash & Investments	<u>\$ 75,180,893.89</u>

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

CITY OF COSTA MESA
INVESTMENT ACTIVITY SUMMARY
FOR THE MONTH OF JANUARY 2012

Total outstanding investments as of December 31, 2011 \$ 69,331,010.15

	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>COUPON RATE</u>	<u>YIELD TO MATURITY</u>	<u>COST</u>
Investment Purchases:					
Federal Farm Credit Bank	01/09/2012	01/09/2015	0.770%	0.770%	3,000,000.00
Federal Home Loan Bank	01/23/2012	01/23/2017	1.340%	1.340%	2,000,000.00
Federal National Mortgage Association	01/25/2012	01/25/2017	1.125%	1.125%	3,000,000.00
Federal Home Loan Mortgage Corporation	01/30/2012	10/30/2015	1.000%	1.000%	2,000,000.00
Total Purchases:					10,000,000.00
Investment Maturities:					
Total Maturities: None					-
Investment Calls:					
Total Calls: None					-
Investments Sold:					
Total Sales: None					-
Net increase (decrease) in LAIF					(1,675,050.50)
Net increase (decrease) in Sweep Account					(88,500.00)
Total outstanding investments as of January 31, 2012					\$ 77,567,459.65

CITY OF COSTA MESA
 INVESTMENTS AND INVESTMENT EARNINGS
 AS OF JANUARY 31, 2012

INVESTMENT	CUSIP NUMBER	INTEREST RATE	YIELD TO MATURITY	COST	INTEREST EARNED AT 01/31/2012	PURCHASE DATE	CALL DATE	MATURITY DATE
Local Agency Investment Fund	S99998260	0.385%		\$ 40,834,859.65		01/31/2012		01/31/2012
Wells Fargo Treas Plus Money Mkt Fd	N/A	0.000%		-		01/31/2012		01/31/2012
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
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
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 Farm Credit Bank	31331KJT8	1.340%	1.340%	2,000,000.00	6,625.54	05/02/2011	05/02/2012	05/02/2014
Federal Farm Credit Bank	31331K5J5	0.770%	0.770%	3,000,000.00	1,411.65	01/09/2012	01/09/2013	01/09/2015
Federal Home Loan Mortgage Corporation	3134G2XR8	1.200%	1.200%	2,000,000.00	10,466.66	08/24/2011	02/24/2012	02/24/2015
Federal Home Loan Mortgage Corporation	3134G3HW3	1.000%	1.000%	2,000,000.00	55.54	01/30/2012	01/30/2013	10/30/2015
Federal Home Loan Bank	313376SF3	1.340%	1.340%	2,000,000.00	595.54	01/23/2012	07/23/2012	01/23/2017
Federal National Mortgage Association	3136FTYS2	1.125%	1.125%	3,000,000.00	562.50	01/25/2012	01/25/2013	01/25/2017
				\$ 72,517,759.65	259,007.64			
<u>DEFAULTED SECURITIES</u>								
Lehman Bros. Hldg. Corp. Note	52517PR60	5.250%	5.149%	\$ 2,509,000.00	-	01/23/2008		02/06/2012
Lehman Bros. Hldg. Corp. Note	5252M0BZ9	5.625%	5.250%	2,540,700.00	-	01/25/2008		01/24/2013
				\$ 5,049,700.00	-			
TOTAL				\$ 77,567,459.65	259,007.64			

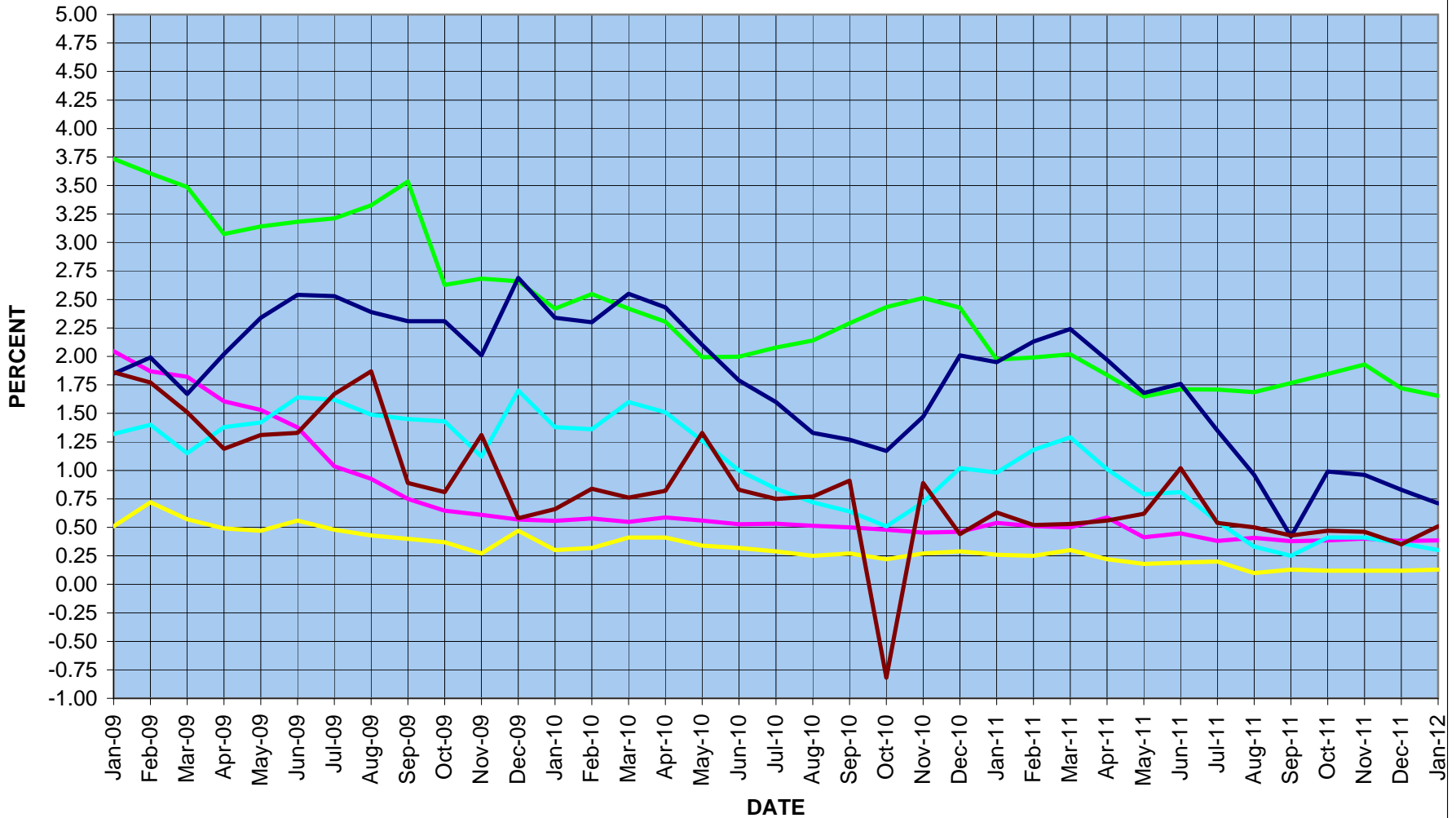
KEY: BA - Banker's Acceptance
 CD - Certificate of Deposit
 CP - Commercial Paper

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

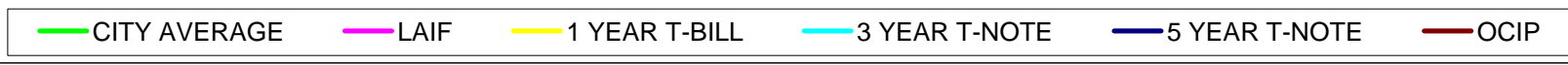
FFCB - Federal Farm Credit Bank
 FHLB - Federal Home Loan Bank
 STP - State Treasurers Pool

SW - Sweep

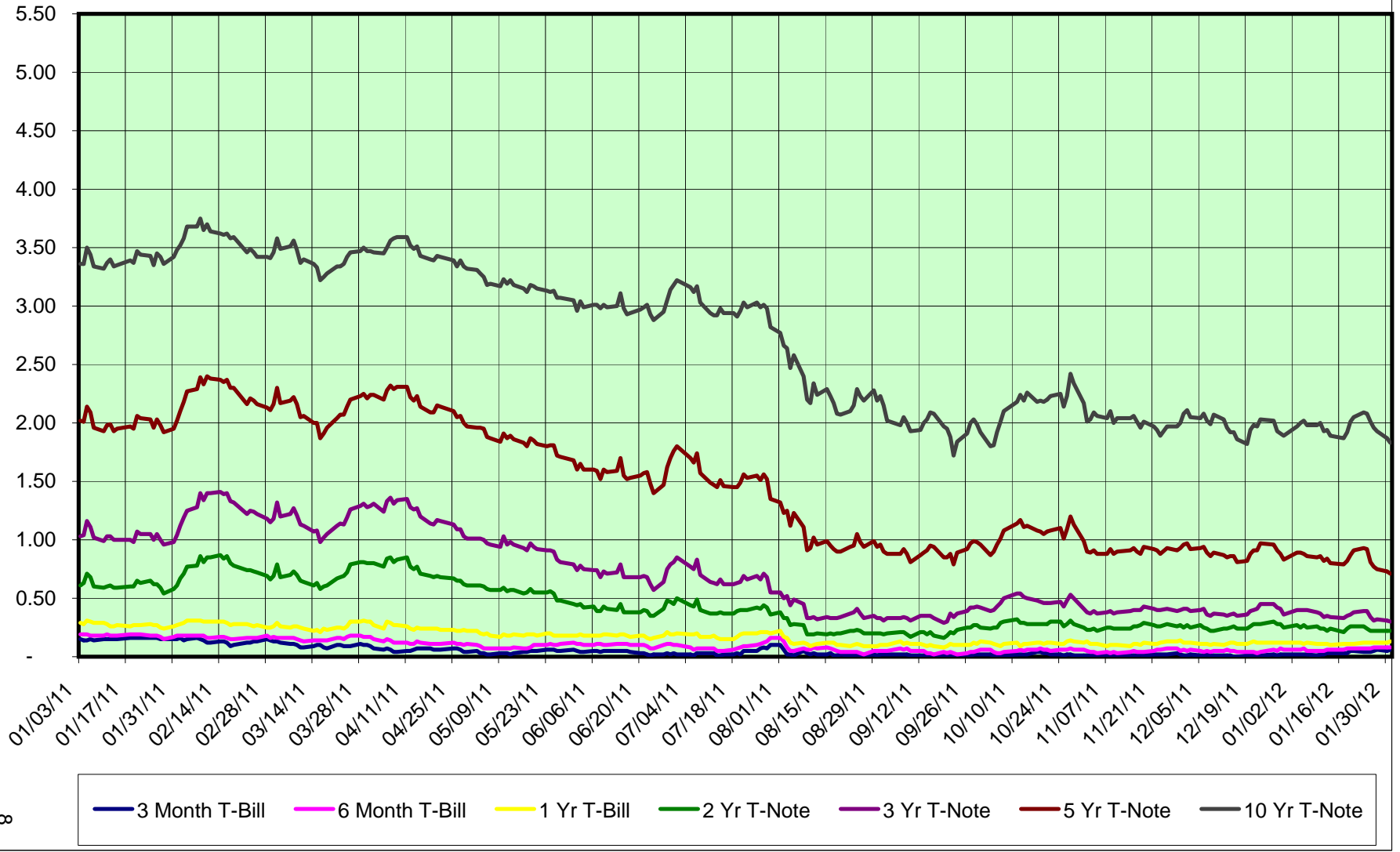
CITY OF COSTA MESA - PORTFOLIO INTEREST RATE INFORMATION AS OF JANUARY 31, 2012



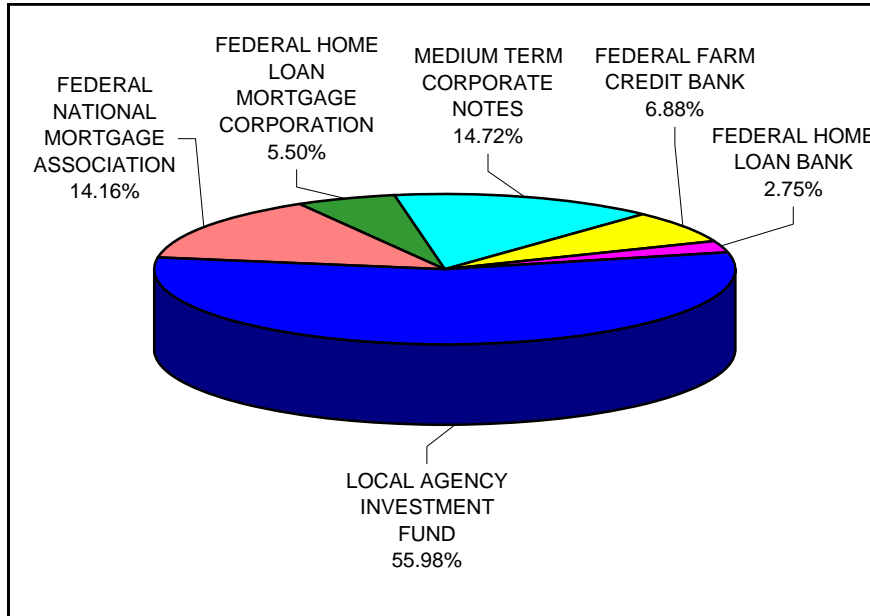
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2011/2012 Market Rates as of January 31, 2012



CITY OF COSTA MESA - ASSET ALLOCATION AS OF JANUARY 31, 2012



	In Thousands
 Local Agency Investment Fund	\$ 40,835
 Federal Home Loan Mortgage Corporation	4,000
 Federal Home Loan Bank	2,000
 Federal Farm Credit Bank	5,000
 Federal National Mortgage Association	10,000
 Medium Term Corporate Notes	<u>10,683</u>
Total	<u><u>\$ 72,518</u></u>

% Rounded 5/4

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

CITY OF COSTA MESA
SUMMARY OF POLICY LIMITATIONS
AS OF JANUARY 31, 2012

DESCRIPTION	CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 01/31/12	MAXIMUM PERCENTAGE
U.S. Treasury Bills	0.00%	UNLIMITED
U.S. Treasury Notes	0.00%	UNLIMITED
Federal Agency Issues:		
FICB	0.00%	60.00%
FFCB	6.75%	60.00%
FLB	0.00%	60.00%
FHLB	2.70%	60.00%
FNMA	13.91%	60.00%
FHLMC	5.40%	60.00%
Other *	0.00%	60.00%
Banker's Acceptances	0.00%	40.00%
Certificates of Deposit	0.00%	UNLIMITED
Negotiable Certificates of Deposits	0.00%	30.00%
Commercial Paper	0.00%	10% or 25% (1)
Medium Term Corporate Notes	14.45%	30.00%
Repurchase Agreements	0.00%	UNLIMITED
Reverse Repurchase Agreements	0.00%	10% of base
LAIF (Local Agency Investment Fund)	54.96%	\$ 50,000,000.00
Current Balance		\$ 40,834,859.65
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	98.17%	(3)
% of Portfolio Maturing within one year	70.71%	(3) no less than 20%
% of Portfolio Maturing or Callable within one year	89.97%	(3)

(1) Current dollar weighted average maturity as of 01/31/12 is 0 days.

(2) Also limited to 20% in total.

(3) Does not include defaulted Lehman Bros . Securities

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

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY INSTRUMENT TYPE
AS OF JANUARY 31, 2012**

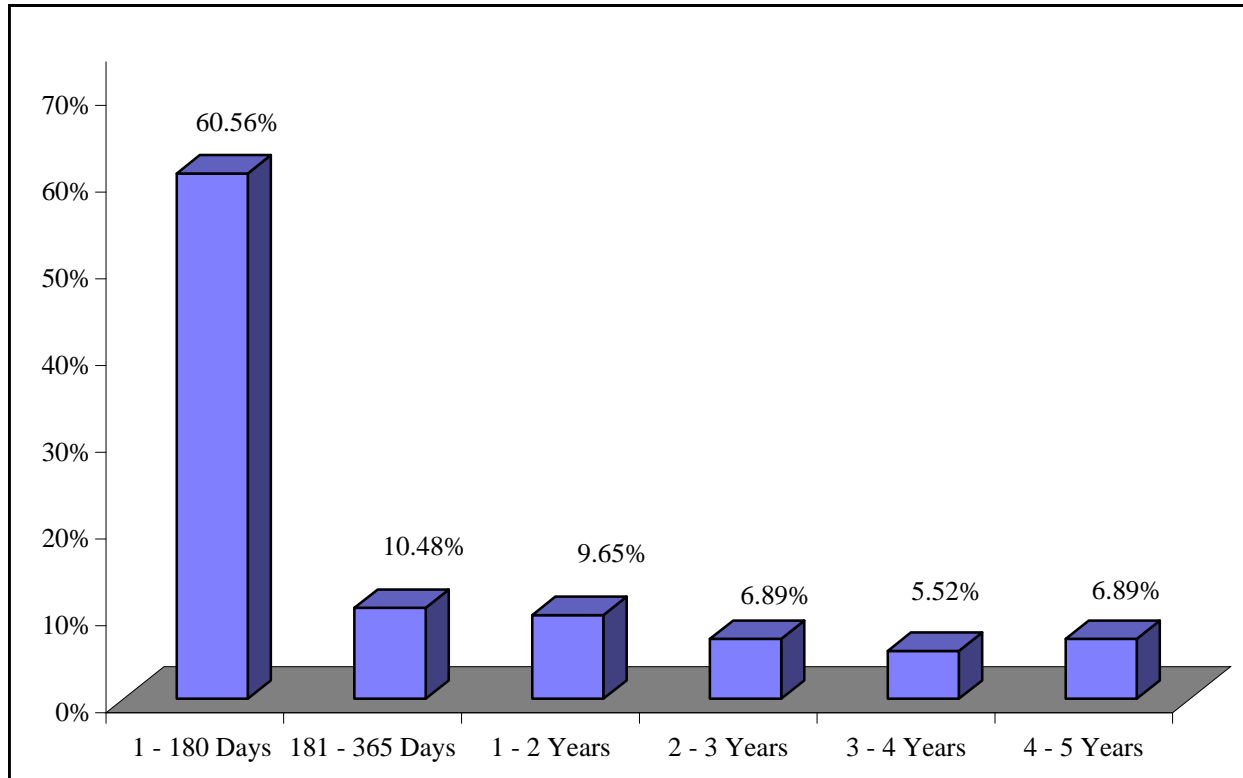
<u>INSTITUTION</u>	<u>TYPE OF INVESTMENT</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>COST</u>	<u>MARKET VALUE AS OF 01/31/12</u>	<u>% of PORTFOLIO</u>	<u>SPECIAL CHARACTERISTICS OF INVESTMENTS</u>
Local Agency Investment Fund	POOL	N/A	CONTINUOUS	0.385 % (1)	\$ 40,834,859.65	40,834,859.65	54.96%	Local Agency Investment Fund - State Treasurer's Pool
Wells Fargo Treas Plus Money Mkt Fd	Money Market Fund	N/A	CONTINUOUS	- % (2)	-	-	0.00%	Stagecoach Funds Inc. Treasury Money Market Mutual Fund
Medium Term Corporate Notes:								
Morgan Stanley	HSBC Corp. Note	12/11/2007	06/19/2012	5.900 % (4)	3,081,600.00	3,044,370.00		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	2,549,550.00		Bullet; Moody's/S & P rated as A1/A+ *(CR - BAA1/A- neg/neg outlook)
Morgan Stanley	Goldman Sachs Corp. Note	11/08/2007	11/01/2012	5.450 % (4)	3,024,900.00	3,090,120.00		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	2,055,500.00		Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - A2/A- neg outlook)
Total Medium Term Corporate Notes					10,682,900.00	10,739,540.00	14.45%	
Federal Home Loan Bank:								
Morgan Stanley	FHLB	01/23/2012	01/23/2017	1.340 % (4)	2,000,000.00	2,006,120.00		Fixed rate, callable with 5 days on or after 07/23/12
Total Federal Home Loan Bank					2,000,000.00	2,006,120.00	2.70%	% Rounded 5/4
Federal Farm Credit Bank:								
De La Rosa	FFCB	05/02/2011	05/02/2014	1.340 % (4)	2,000,000.00	2,004,980.00		Fixed rate, callable with 5 days on or after 05/02/12
Wells Fargo Institutional Securities, LLC	FFCB	01/09/2012	01/09/2015	0.770 % (4)	3,000,000.00	3,011,010.00		Fixed rate, callable with 5 days on or after 01/09/13
Total Federal Farm Credit Bank					5,000,000.00	5,015,990.00	6.75%	% Rounded 5/4
Federal Home Loan Mortgage Corporation:								
De La Rosa	FHLMC	08/24/2011	02/24/2015	1.200 % (4)	2,000,000.00	2,000,580.00		Fixed rate, callable with 5 days notice on or after 02/24/12
Wells Fargo Institutional Securities, LLC	FHLMC	01/30/2012	10/30/2015	1.000 % (4)	2,000,000.00	2,010,660.00		Fixed rate, callable with 5 days notice on or after 01/30/13
Total Federal Home Loan Mortgage Corporation					4,000,000.00	4,011,240.00	5.40%	% Rounded 5/4
Federal National Mortgage Association:								
Morgan Keegan	FNMA	04/15/2008	04/15/2013	4.000 % (4)	5,000,000.00	5,226,100.00		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	2,092,240.00		Fixed rate, callable with 10 days notice only on 07/18/08
Morgan Stanley	FNMA	01/25/2012	01/25/2017	1.125 % (4)	3,000,000.00	3,013,440.00		Step-up bond, callable with 10 days notice on or after 01/25/13
Total Federal National Mortgage Association					10,000,000.00	10,331,780.00	13.91%	% Rounded 5/4
					\$ 72,517,759.65	72,939,529.65		
DEFAULTED SECURITIES								
Morgan Keegan	Lehman Bros. Hldg Corp. Note	01/23/2008	02/06/2012	5.250 % (4)	2,509,000.00	678,125.00		Bullet; Moody's/S & P rated as A1/A+ *(CR - DEFAULT)
Morgan Keegan	Lehman Bros. Hldg Corp. Note	01/25/2008	01/24/2013	5.625 % (4)	2,540,700.00	681,250.00		Bullet; Moody's/S & P rated as A1/A+e *(CR - DEFAULT)
Total Securities in Default					5,049,700.00	1,359,375.00	1.83%	% Rounded 5/4
Total Outstanding Investments					\$ 77,567,459.65	74,298,904.65	100.00%	*CR = Current rating as of February 9, 2012

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, 2012



	In Thousands
1 - 180 Days	\$ 43,917
181 - 365 Days	7,601
1 - 2 Years	7,000
2 - 3 Years	5,000
3 - 4 Years	4,000
4 - 5 Years	<u>5,000</u>
* TOTAL	<u><u>\$ 72,518</u></u>

% Rounded 5/4

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

CITY OF COSTA MESA
PERCENT OF PORTFOLIO INVESTED IN FEDERAL AGENCIES
FEBRUARY 2008 THROUGH JANUARY 2012

<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 2008	1.91%	23.35%	8.29%	3.46%	37.01%
March 2008	2.02%	15.60%	7.76%	3.66%	29.04%
April 2008	4.77%	8.50%	10.15%	14.90%	38.32%
May 2008	4.43%	9.66%	15.61%	13.81%	43.50%
June 2008	2.80%	3.73%	19.80%	14.55%	40.88%
July 2008	5.91%	3.92%	22.65%	17.81%	50.29%
August 2008	6.27%	4.17%	26.10%	18.85%	55.39%
September 2008	7.31%	4.85%	30.48%	20.79%	63.43%
October 2008	7.74%	5.14%	31.08%	18.67%	62.62%
November 2008	3.91%	5.26%	28.76%	19.21%	57.15%
December 2008	3.80%	2.60%	16.50%	18.87%	41.77%
January 2009	0.00%	2.35%	7.99%	17.06%	27.40%
February 2009	0.00%	2.48%	2.42%	18.05%	22.94%
March 2009	0.00%	2.60%	0.00%	17.63%	20.22%
April 2009	5.23%	2.17%	14.19%	9.38%	30.97%
May 2009	5.57%	2.29%	15.02%	9.88%	32.76%
June 2009	5.87%	2.41%	15.84%	10.41%	34.53%
July 2009	6.25%	2.56%	16.87%	11.10%	36.78%
August 2009	6.63%	2.71%	17.91%	11.84%	39.09%
September 2009	7.27%	2.96%	19.61%	12.98%	42.84%
October 2009	7.37%	2.99%	12.51%	13.14%	36.01%
November 2009	7.58%	3.07%	12.85%	13.63%	37.12%
December 2009	7.57%	3.06%	12.85%	13.45%	36.92%
January 2010	7.02%	2.83%	7.01%	12.54%	29.40%
February 2010	7.45%	2.99%	7.44%	13.38%	31.25%
March 2010	7.76%	3.12%	0.00%	11.55%	22.43%
April 2010	0.00%	3.07%	0.00%	11.46%	14.53%
May 2010	0.00%	0.00%	0.00%	10.29%	10.29%
June 2010	0.00%	0.00%	0.00%	10.56%	10.56%
July 2010	0.00%	0.00%	0.00%	11.09%	11.09%
August 2010	0.00%	0.00%	0.00%	11.62%	11.62%
September 2010	0.00%	0.00%	0.00%	12.69%	12.69%
October 2010	0.00%	0.00%	0.00%	13.77%	13.77%
November 2010	0.00%	0.00%	0.00%	14.35%	14.35%
December 2010	0.00%	0.00%	0.00%	13.67%	13.67%
January 2011	0.00%	0.00%	0.00%	11.25%	11.25%
February 2011	0.00%	0.00%	1.51%	12.75%	14.26%
March 2011	0.00%	0.00%	1.54%	13.02%	14.56%
April 2011	0.00%	7.11%	5.40%	13.91%	26.41%
May 2011	2.60%	7.26%	1.29%	10.92%	22.07%
June 2011	7.91%	6.59%	1.32%	11.14%	26.96%
July 2011	8.14%	6.78%	1.35%	11.41%	27.68%
August 2011	8.24%	4.11%	2.74%	10.16%	25.25%
September 2011	6.11%	1.52%	3.05%	11.25%	21.92%
October 2011	6.48%	0.00%	3.23%	11.92%	21.63%
November 2011	6.80%	0.00%	3.40%	12.48%	22.68%
December 2011	3.05%	0.00%	3.04%	11.13%	17.22%
January 2012	<u>6.75%</u>	<u>2.70%</u>	<u>5.40%</u>	<u>13.91%</u>	<u>28.76%</u>
AVERAGE	3.93%	3.47%	8.60%	13.03%	29.03%

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY
AS OF JANUARY 31, 2012**

<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>
<u>2012:</u>							
Local Agency Investment Fund	N/A	CONTINUOUS	\$ 40,834,859.65	40,834,859.65	40,834,859.65	-	-
Stagecoach Treasury Money Market Fund	N/A	CONTINUOUS	-	-	-	-	-
HSBC Corp. Note	12/11/2007	06/19/2012	3,000,000.00	3,081,600.00	3,044,370.00	20,649.99	(37,230.00)
Merrill Lynch Corp. Note	01/17/2008	08/15/2012	2,500,000.00	2,585,000.00	2,549,550.00	69,743.05	(35,450.00)
Goldman Sachs Corp. Note	11/08/2007	11/01/2012	3,000,000.00	3,024,900.00	3,090,120.00	40,875.00	65,220.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012	2,000,000.00	1,991,400.00	2,055,500.00	25,958.32	64,100.00
	Percent maturing in 2012		66.42%	51,334,859.65	51,517,759.65	157,226.36	56,640.00
<u>2013:</u>							
Federal National Mortgage Association	04/15/2008	04/15/2013	5,000,000.00	5,000,000.00	5,226,100.00	58,888.85	226,100.00
Federal National Mortgage Association	04/18/2008	04/18/2013	2,000,000.00	2,000,000.00	2,092,240.00	23,175.00	92,240.00
	Percent maturing in 2013		9.02%	7,000,000.00	7,318,340.00	82,063.85	318,340.00
<u>2014:</u>							
* Federal Farm Credit Bank	05/02/2011	05/02/2014	2,000,000.00	2,000,000.00	2,004,980.00	6,625.54	4,980.00
	Percent maturing in 2014		2.58%	2,000,000.00	2,004,980.00	6,625.54	4,980.00
<u>2015:</u>							
* Federal Farm Credit Bank	01/09/2012	01/09/2015	3,000,000.00	3,000,000.00	3,011,010.00	1,411.65	11,010.00
* Federal Home Loan Mortgage Corporation	08/24/2011	02/24/2015	2,000,000.00	2,000,000.00	2,000,580.00	10,466.66	580.00
* Federal Home Loan Mortgage Corporation	01/30/2012	10/30/2015	2,000,000.00	2,000,000.00	2,010,660.00	55.54	10,660.00
	Percent maturing in 2015		9.02%	7,000,000.00	7,022,250.00	11,933.85	22,250.00
<u>2017:</u>							
* Federal Home Loan Bank	01/23/2012	01/23/2017	2,000,000.00	2,000,000.00	2,006,120.00	595.54	6,120.00
* Federal National Mortgage Association	01/25/2012	01/25/2017	3,000,000.00	3,000,000.00	3,013,440.00	562.50	13,440.00
	Percent maturing in 2017		6.45%	5,000,000.00	5,019,560.00	1,158.04	19,560.00
Sub-total			72,334,859.65	72,517,759.65	72,939,529.65	259,007.64	421,770.00
<u>DEFAULTED SECURITIES</u>							
Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012	2,500,000.00	2,509,000.00	678,125.00	-	(1,830,875.00)
Lehman Bros. Hldg. Corp. Note	01/25/2008	01/24/2013	2,500,000.00	2,540,700.00	681,250.00	-	(1,859,450.00)
			6.51%	5,000,000.00	1,359,375.00	-	(3,690,325.00)
Total outstanding investments			100.00%	\$ 77,334,859.65	77,567,459.65	74,298,904.65	259,007.64

* 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, 2012

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

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

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

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

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

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

Costa Mesa PFA Revenue Refunding Bonds Series 2006A

Trustee: U. S. Bank Corporate Trust Services

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Acct/Capital Improvement	Treasury Obligations Fund	First American Funds	Open	\$ -	-	-	-
Capital Improvement Fund	Treasury Obligations Fund	First American Funds	Open	159,857.29	159,857.29	159,857.29	-
Local Obligation	Note Secured by Real Estate	City of Costa Mesa	08/01/2021	2,050,000.00	2,050,000.00	2,050,000.00	8.30
Revenue Fund	Treasury Obligations Fund	First American Funds	Open	175,987.06	175,987.06	175,987.06	-
Reserve Fund	Treasury Obligations Fund	First American Funds	Open	224,755.00	224,755.00	224,755.00	-
Expense Fund	Treasury Obligations Fund	First American Funds	Open	4,987.34	4,987.34	4,987.34	-
Surplus Fund	Treasury Obligations Fund	First American Funds	Open	42,214.77	42,214.77	42,214.77	-
Ending Balances				<u>\$ 2,657,801.46</u>	<u>2,657,801.46</u>	<u>2,657,801.46</u>	

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

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

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

City of Costa Mesa Workers Compensation Account

Trustee: Corvel Enterprise Company, Inc.

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

800 MHz Quarterly Reserve Fund

Trustee: Orange County Investment Pool

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

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

Trustee: Community Bank

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Account	Money Market Fund	Community Bank Money Market Account	Open	267,803.32	267,803.32	267,803.32	(1)
Ending Balances				<u>\$ 267,803.32</u>	<u>267,803.32</u>	<u>267,803.32</u>	

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

Trustee: Community Bank

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Account	Savings Account	Comerica Bank	Open	413,523.00	413,523.00	413,523.00	(1)
Ending Balances				<u>\$ 413,523.00</u>	<u>413,523.00</u>	<u>413,523.00</u>	

GRAND TOTALS

\$ 8,477,578.39 \$ 8,477,578.39 \$ 8,477,578.39

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

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

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS
AS OF JANUARY 31, 2012**

TYPE OF INVESTMENT	PURCHASE DATE	MATURITY DATE	CALL DATE	DAYS TO MATURITY	INTEREST RATE	YIELD TO MATURITY	COST
LOCAL AGENCY INVESTMENT FUND				1	0.385 %	0.385 %	\$ 40,834,859.65
WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND				1	- %	- %	-
HSBC Corp. Note	12/11/2007	06/19/2012		140	5.900 %	5.216 %	3,081,600.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012		197	6.050 %	5.204 %	2,585,000.00
Goldman Sachs Corp. Note	11/08/2007	11/01/2012		275	5.450 %	5.257 %	3,024,900.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012		276	5.250 %	5.349 %	1,991,400.00
FNMA	04/15/2008	04/15/2013	07/15/2008	440	4.000 %	4.000 %	5,000,000.00
FNMA	04/18/2008	04/18/2013	07/18/2008	443	4.050 %	4.050 %	2,000,000.00
FFCB	05/02/2011	05/02/2014	05/02/2012	822	1.340 %	1.340 %	2,000,000.00
FFCB	01/09/2012	01/09/2015	01/09/2013	1,074	0.770 %	0.770 %	3,000,000.00
FHLMC	08/24/2011	02/24/2015	02/24/2012	1,120	1.200 %	1.200 %	2,000,000.00
FHLMC	01/30/2012	10/30/2015	01/30/2013	1,368	1.000 %	1.000 %	2,000,000.00
FHLB	01/23/2012	01/23/2017	07/23/2012	1,819	1.340 %	1.340 %	2,000,000.00
FNMA	01/25/2012	01/25/2017	01/25/2013	1,821	1.125 %	1.125 %	3,000,000.00
Total outstanding investments							\$ 72,517,759.65

WEIGHTED AVERAGE:

INTEREST RATE OF PORTFOLIO	1.655%
YIELD TO MATURITY OF PORTFOLIO	1.591%
MATURITY OF PORTFOLIO	336 DAYS
MATURITY OF PORTFOLIO LESS POOLS	769 DAYS

DEFAULTED SECURITIES

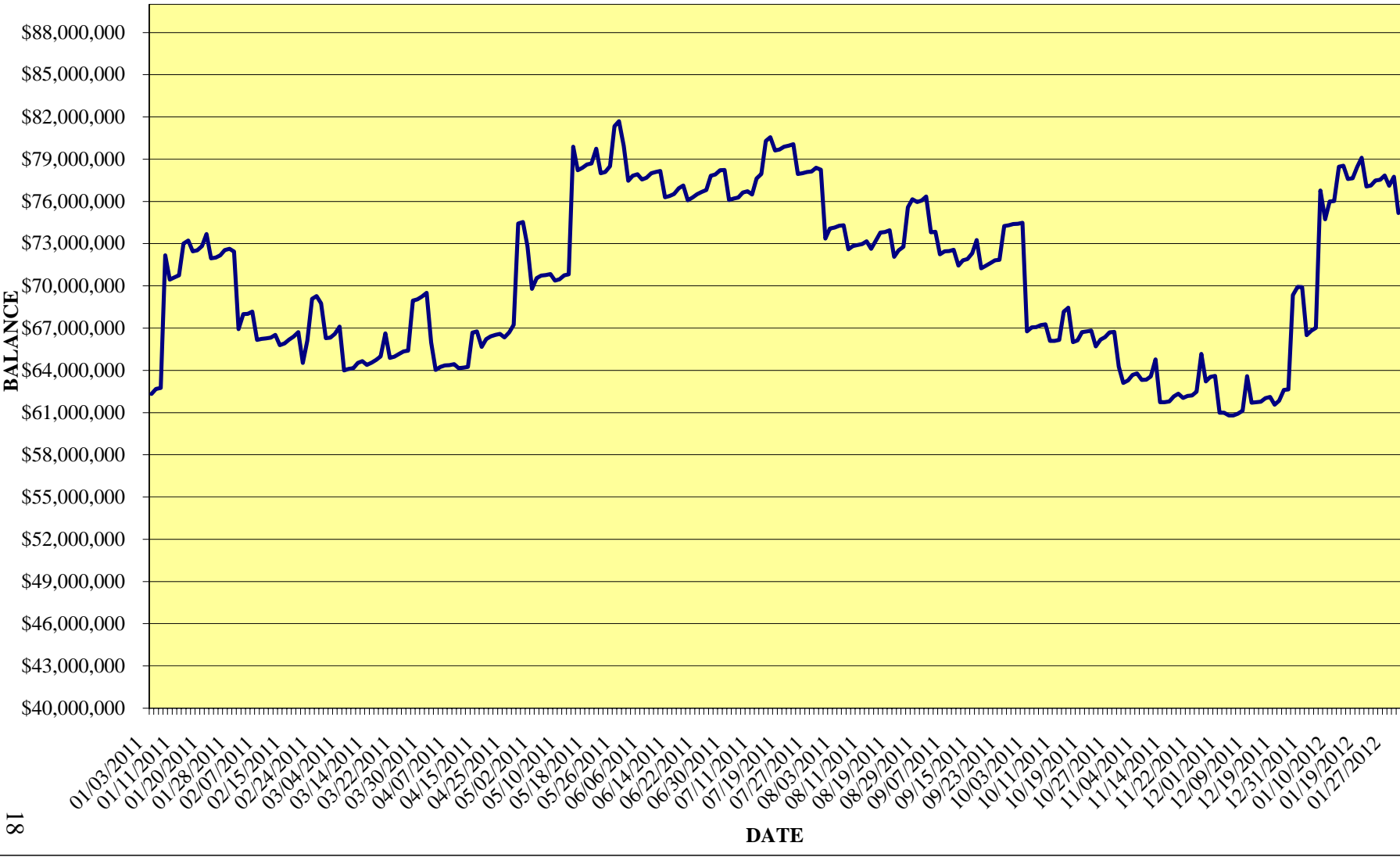
*Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012		6	5.250 %	5.149 %	2,509,000.00
*Lehman Bros. Corp. Note	01/25/2008	01/24/2013		359	5.625 %	5.250 %	2,540,700.00
							\$ 5,049,700.00

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

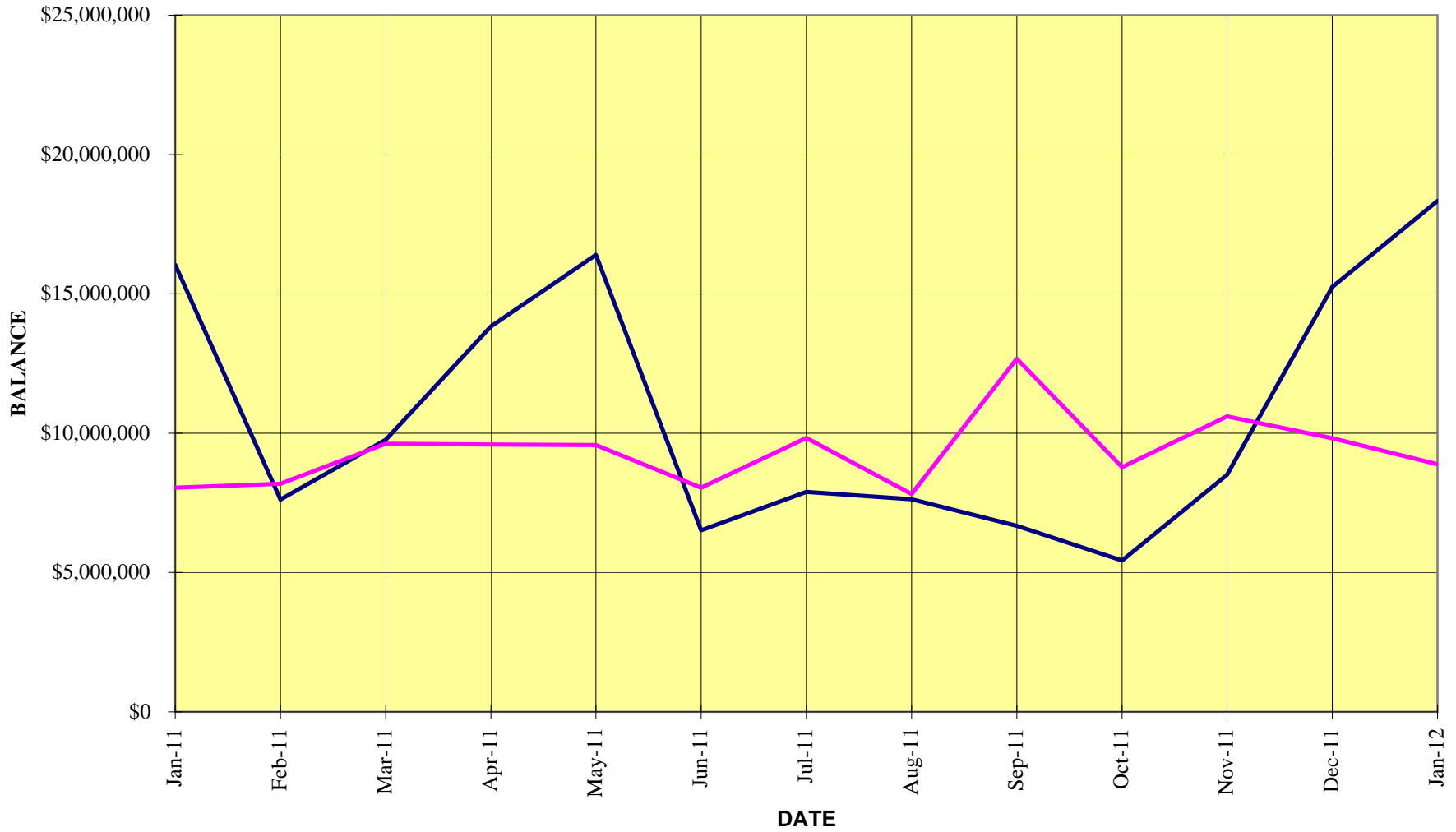
**CITY OF COSTA MESA
CALL SCHEDULE
AS OF JANUARY 31, 2012**

<u>INSTITUTION</u>	<u>TYPE OF INVESTMENT</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>COUPON</u>	<u>YIELD TO MATURITY</u>	<u>YIELD TO CALL</u>	<u>CALL DATE</u>	<u>COST</u>
DE LA ROSA	FHLMC	08/24/2011	02/24/2015	1.200%	1.200%	1.200%	02/24/2012	\$ 2,000,000.00
DE LA ROSA	FFCB	05/02/2011	05/02/2014	1.340%	1.340%	1.340%	05/02/2012	2,000,000.00
MORGAN STANLEY DEAN WITTER	FHLB	01/23/2012	01/23/2017	1.340%	1.340%	1.340%	07/23/2012	2,000,000.00
WELLS FARGO INSTITUTIONAL SECURITIES, LLC	FFCB	01/09/2012	01/09/2015	0.770%	0.770%	0.770%	01/09/2013	3,000,000.00
MORGAN STANLEY DEAN WITTER	FNMA	01/25/2012	01/25/2017	1.125%	1.125%	1.125%	01/25/2013	3,000,000.00
WELLS FARGO INSTITUTIONAL SECURITIES, LLC	FHLMC	01/30/2012	10/30/2015	1.000%	1.000%	1.000%	01/30/2013	2,000,000.00
							TOTAL	<u>\$ 14,000,000.00</u>

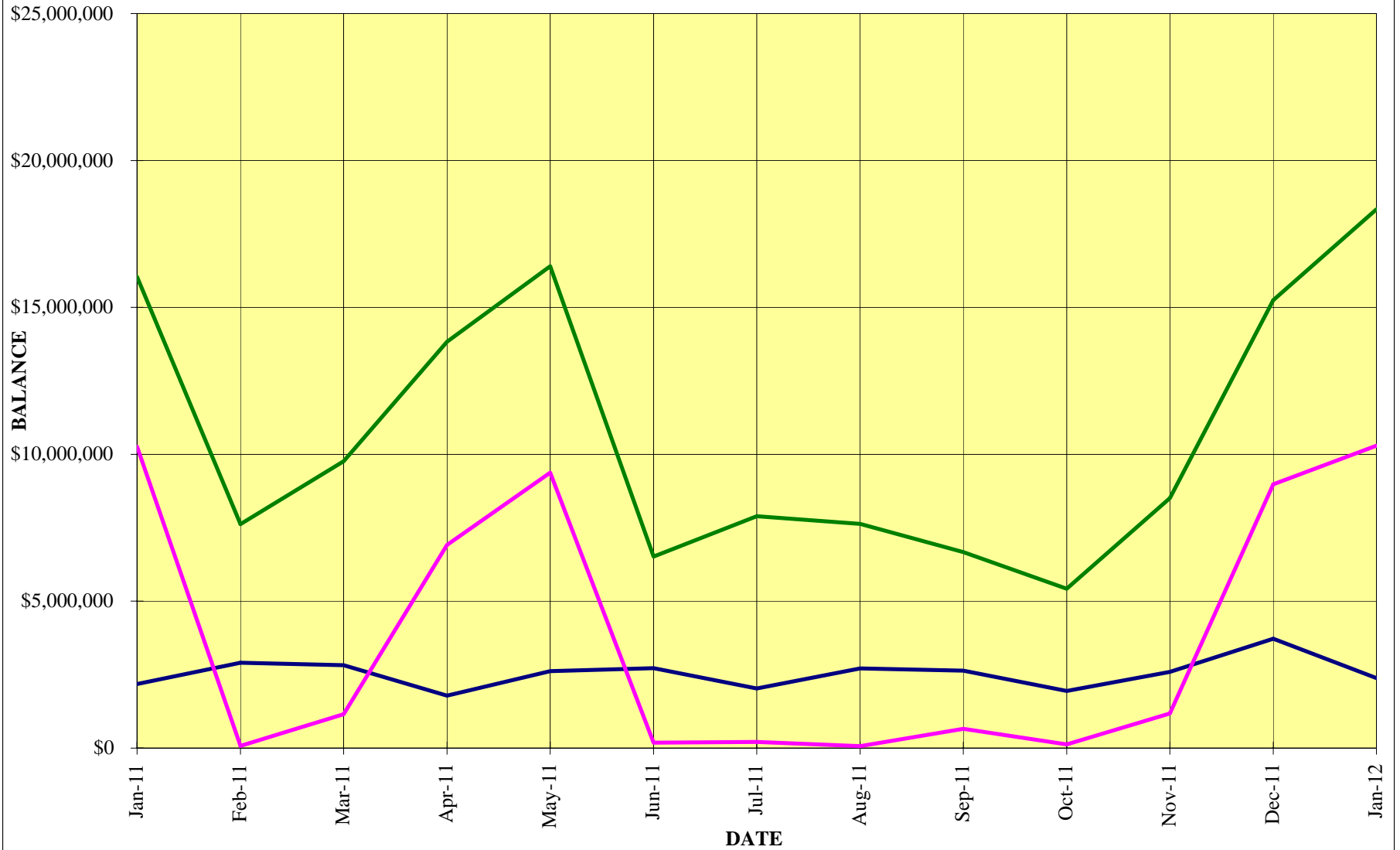
**CITY OF COSTA MESA DAILY CASH BALANCES
AS OF JANUARY 31, 2012**



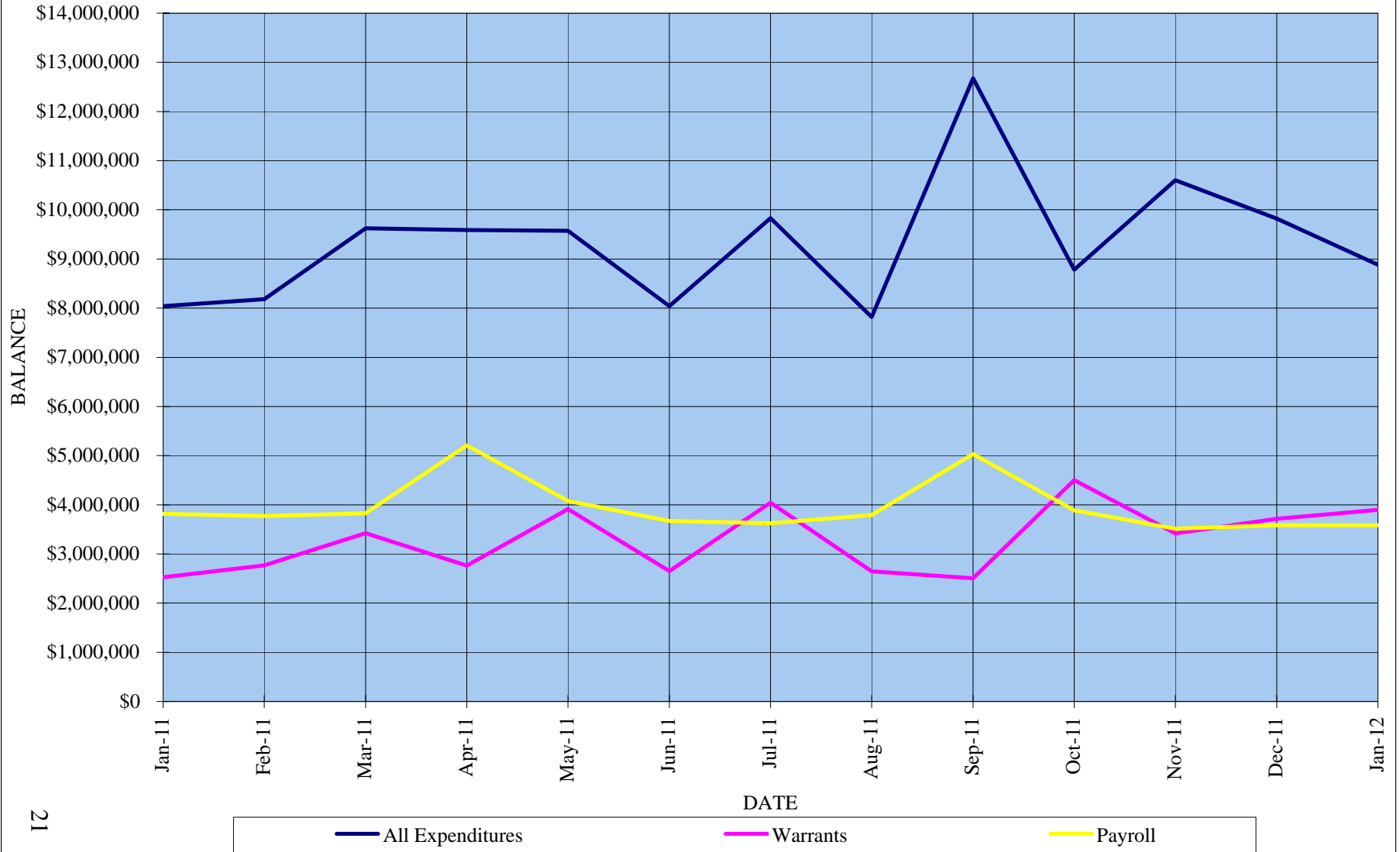
**CITY OF COSTA MESA CASH FLOWS BY MONTH
AS OF JANUARY 31, 2012**



**CITY OF COSTA MESA REVENUE CHART
AS OF JANUARY 31, 2012**



CITY OF COSTA MESA EXPENDITURE CHART AS OF JANUARY 31, 2012



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

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

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

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

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

	Projected Ending Cash Balance 2011 & 2012	Treasurer’s Report Cash Balance CY 2011	Monthly Cash Flow Activity (Month over Month)	Treasurer’s Report Cash Balance CY 2010
January	N/A	\$ 20,418,313.67	-	\$ 18,188,772.20
February	N/A	16,408,694.82	(\$4.0 million)	16,022,093.67
March	N/A	16,513,743.53	0.1 million	13,628,413.23
April	N/A	19,186,464.54	2.7 million	15,078,529.66
May	\$ 29.2 million (1)	29,235,842.88	10.0 million	23,390,617.45
June	27.2 million (1)	21,004,071.23 (3)	(8.2 million)	21,004,071.23
July	23.7 million (1)	22,658,397.45	(2.3 million)	19,600,554.97
August	21.6 million (1)	23,267,945.73	1.7 million	17,809,840.64
September	14.2 million (1)	14,599,893.74	(8.7 million)	12,346,493.13
October	11.3 million (1)	12,912,317.50	(1.7 million)	6,756,802.49
November	9.6 million (1)	13,557,875.16	0.6 million	5,391,178.97
December	15.8 million (1)	20,963,292.06	7.4 million	12,351,481.85
January - 2012	23.8 million (2)	26,022,236.51	5.1 million	-
February	21.8 million (2)	-	(2.0 million)	-
March	18.9 million (2)	-	(2.9 million)	-
April	24.3 million (2)	-	5.4 million	-
May	31.6 million (2)	-	7.3 million	-
June	27.2 million (2)	-	4.4 million	-
July	25.0 million (2)	-	4.4 million	-

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

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

The January 2012 General Fund cash balance of \$26.0 million is \$2.2 million higher than the amount originally projected. Staff's analysis concludes that monthly cash receipts for Sales Tax and Transient Occupancy Tax have continued to be higher than original estimates. All other activity for the month of January was consistent with projections.