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

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**TO:** HONORABLE CITY COUNCIL

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

**DATE:** NOVEMBER 26, 2012

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

Attached is the Treasurer's Report for the month of October 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 October 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 October 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 October 31, 2012, was 1.370%. The yield to maturity of the portfolio was 1.402%. The current yield of the City's portfolio was 103 basis points (1.030%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .340% for the month ended October 31, 2012. The weighted average number of days to maturity for the total portfolio was 710 days (1.945 years). The weighted average number of days to maturity for the total portfolio less pools was 1,130 days (3.096 years). The average duration for the underlying securities within LAIF as of October 31 was 229 days (0.627 years).

There were no securities purchased during the month of October, 2012.

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

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

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

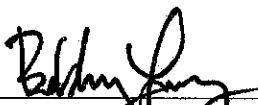
## COMPLIANCE REPORTING

The City held two Lehman Brothers Medium-Term Corporate Notes in its investment portfolio. The total amount invested in these two securities stated at cost was \$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. On December 6, 2011, the Bankruptcy Court entered an order confirming the Debtors' Chapter 11 Plan. The initial distribution date was April 17, 2012, and the City received \$301,889.87. After the initial plan distribution, the Debtors will make distributions of cash available in accordance with the plan semi-annually on March 30 and September 30 of each year. The amount of Lehman Brothers investment claim held in escrow with Lehman Brothers Holdings, Inc. is estimated to be \$821,710.73 at October 31, 2012.

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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BOBBY YOUNG  
Finance & I.T. Director

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

**CITY OF COSTA MESA**  
**TREASURER'S REPORT OF POOLED CASH AND INVESTMENTS**  
**AS OF OCTOBER 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	\$784,445.95	636,267.36	131,420.86	1,289,292.45
Reconciling Items		42,603.37	1,117,887.78	(1,075,284.41)
Vendor Payment Account		6,719.18	29,908.02	(23,188.84)
Bank of America - Flex Benefit Plan, C.A.I.		-	268.48	(268.48)
Total Active Accounts	<u>784,445.95</u>	<u>685,589.91</u>	<u>1,279,485.14</u>	<u>190,550.72</u>

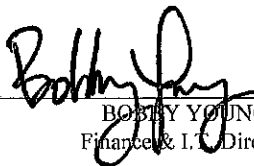
<u>INVESTMENTS</u>	<u>COST</u>			<u>BOOK BALANCE</u>
Bank of New York-Trust Sweep Account	346,124.40			346,124.40
Local Agency Investment Fund	25,738,673.59			25,738,673.59
Medium Term Corporate Notes	5,016,300.00			5,016,300.00
Federal Home Loan Mortgage Corporation	6,000,000.00			6,000,000.00
Federal Home Loan Bank	6,000,000.00			6,000,000.00
Federal Farm Credit Bank	10,000,000.00			10,000,000.00
Federal National Mortgage Association	17,000,000.00			17,000,000.00
	<u>70,101,097.99</u>			<u>70,101,097.99</u>
Market Value Adjustment at 06-30-2012				242,940.00
				<u>70,344,037.99</u>

<u>BANKRUPTCY CLAIM</u>				
Lehman Bros. Holdings Inc.				1,315,625.00
Bankruptcy Distribution on 04-18-12				(301,889.87)
Bankruptcy Distribution on 10-01-12				(192,024.40)
	<u>821,710.73</u>			<u>821,710.73</u>
Total Investments	<u>70,922,808.72</u>	-	-	<u>71,165,748.72</u>

<u>IMPREST ACCOUNTS</u>				
Bank of America - Bail	10.00	-	-	10.00
Long Term Disability	20,000.00			20,000.00
Total Imprest Accounts	<u>20,010.00</u>	-	-	<u>20,010.00</u>
	<u>71,727,264.67</u>	<u>685,589.91</u>	<u>1,279,485.14</u>	<u>71,376,309.44</u>

City of Costa Mesa Change Funds 12,075.00

**TOTAL POOLED CASH AND INVESTMENTS** \$ 71,388,384.44

  
 BOBBY YOUNG  
 Finance & I.T. Director

11/29/12  
 DATE

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

FUND NO	FUND NAME	AMOUNT
101	General Fund	\$ 16,277,020.04 *
201	Special Gas Tax Fund	13,479,467.30
202	Prop. 172 - Public Safety Fund	393,178.86
203	Air Quality Improvement Fund (AB 2766)	624,344.43
205	HUD -HOME Program-HOME Investment Partnership Act	20,769.46
207	HUD -Community Development Block Grant Program Fund	(106,007.66)
208	Park Development Fees Fund	1,495,917.14
209	Drainage Fees Fund	1,491,544.02
213	Supplemental Law Enforcement Services Fund (SLESF)	(68,953.14)
214	Traffic Impact Fees Fund	3,946,197.80
217	Narcotics Forfeiture Fund	3,078,110.74
218	Fire System Development Fees Fund	736,539.14
219	Local Law Enforcement Block	(8,154.32)
220	Office of Traffic Safety	(16,440.55)
221	Homelessness Prevention	(140.98)
222	Costa Mesa Housing Authority	(9,781.43)
260	Airborne Law Enforcement Fund	1,858,234.74
261	Helicopter Replacement Fund	3,207,190.32
401	Capital Outlay Fund	65,307.04
403	Measure "M" Construction Fund	4,648,752.66
409	Vehicle Parking District #1 Fund	2,732.56
410	Vehicle Parking District #2 Fund	2,583.69
413	Golf Course Improvement Fund	652,074.03
414	Measure "M" Turnback Fund	2,341,001.74
415	Measure "M" 2 Fund	(1,612,622.54)
416	Measure "M" 2 Fairshare Fund	2,334,066.98
601	Equipment Maintenance and Replacement Fund	6,827,594.09
602	Self-Insurance Fund - Liab/W.C./Unemployment	6,706,791.39
701	Deposits	1,747,505.43
705	Costa Mesa Community Foundation	107,828.03
755	Police Retirement - 1% Supplemental	1,165,733.43
	Total Pooled Cash & Investments	<u>\$ 71,388,384.44</u>

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

**CITY OF COSTA MESA  
OUTSTANDING INVESTMENTS BY INSTRUMENT TYPE  
AS OF OCTOBER 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 10/31/12</u>	<u>% of PORTFOLIO</u>	<u>SPECIAL CHARACTERISTICS OF INVESTMENTS</u>
Local Agency Investment Fund	POOL	N/A	CONTINUOUS	0.340 % (1)	\$ 25,738,673.59	25,738,673.59	36.20%	Local Agency Investment Fund - State Treasurer's Pool
Wells Fargo Treas Plus Money Mkt Fd	Money Market Fund	N/A	CONTINUOUS	- % (2)	346,124.40	346,124.40	0.49%	Stagecoach Funds Inc. Treasury Money Market Mutual Fund
<b>Medium Term Corporate Notes:</b>								
Morgan Stanley Dean Witter	Goldman Sachs Corp. Note	11/08/2007	11/01/2012	5.450 % (4)	3,024,900.00	3,000,000.00		Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - A3/A- neg outlook)
Morgan Stanley Dean Witter	Morgan Stanley Corp. Note	11/02/2007	11/02/2012	5.250 % (4)	1,991,400.00	2,000,000.00		Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - BAA1/A- neg outlook)
<b>Total Medium Term Corporate Notes</b>					<u>5,016,300.00</u>	<u>5,000,000.00</u>	<u>7.03%</u>	
<b>Federal Home Loan Bank:</b>								
Morgan Stanley Dean Witter	FHLB	05/23/2012	05/23/2017	0.500 % (4)	2,000,000.00	2,000,440.00		Step-up bond, callable with 5 days on or after 11/23/12
E J De La Rosa	FHLB	05/30/2012	05/30/2017	1.150 % (4)	2,000,000.00	2,001,460.00		Fixed rate, callable with 5 days on or after 11/30/12
E J De La Rosa	FHLB	08/16/2012	08/16/2017	1.000 % (4)	2,000,000.00	2,000,300.00		Fixed rate, callable with 5 days on or after 11/16/12
<b>Total Federal Home Loan Bank</b>					<u>6,000,000.00</u>	<u>6,002,200.00</u>	<u>8.44%</u>	% Rounded 5/4
<b>Federal Farm Credit Bank:</b>								
Wells Fargo Institutional Securities, LLC	FFCB	01/09/2012	01/09/2015	0.770 % (4)	3,000,000.00	3,003,540.00		Fixed rate, callable with 5 days notice on or after 01/09/13
E J De La Rosa	FFCB	04/04/2012	04/04/2017	1.360 % (4)	2,000,000.00	2,010,120.00		Fixed rate, callable with 5 days notice on or after 04/04/13
E J De La Rosa	FFCB	05/15/2012	05/15/2017	1.140 % (4)	3,000,000.00	3,011,040.00		Fixed rate, callable with 5 days notice on or after 05/15/13
E J De La Rosa	FFCB	09/13/2012	09/13/2017	1.020 % (4)	2,000,000.00	1,997,860.00		Fixed rate, callable with 5 days notice on or after 12/13/12
<b>Total Federal Farm Credit Bank</b>					<u>10,000,000.00</u>	<u>10,022,560.00</u>	<u>14.10%</u>	% Rounded 5/4
<b>Federal Home Loan Mortgage Corporation:</b>								
Wells Fargo Institutional Securities, LLC	FHLMC	01/30/2012	10/30/2015	1.000 % (4)	2,000,000.00	2,004,020.00		Fixed rate, callable with 5 days notice on or after 01/30/13
Wells Fargo Institutional Securities, LLC	FHLMC	05/15/2012	05/15/2017	1.250 % (4)	2,000,000.00	2,006,940.00		Fixed rate, callable with 5 days notice on or after 05/15/13
Wells Fargo Institutional Securities, LLC	FHLMC	08/08/2012	08/08/2017	1.000 % (4)	2,000,000.00	2,002,500.00		Fixed rate, callable with 5 days notice on or after 02/08/13
<b>Total Federal Home Loan Mortgage Corporation</b>					<u>6,000,000.00</u>	<u>6,013,460.00</u>	<u>8.46%</u>	% Rounded 5/4
<b>Federal National Mortgage Association:</b>								
Morgan Keegan	FNMA	04/15/2008	04/15/2013	4.000 % (4)	5,000,000.00	5,087,100.00		Fixed rate, callable with 10 days notice only on 07/15/08
Morgan Stanley Dean Witter	FNMA	04/18/2008	04/18/2013	4.050 % (4)	2,000,000.00	2,035,900.00		Fixed rate, callable with 10 days notice only on 07/18/08
Citigroup Global Markets Inc.	FNMA	05/24/2012	08/24/2015	0.700 % (4)	2,000,000.00	2,003,280.00		Fixed rate, callable with 10 days on or after 05/24/13
Morgan Stanley Dean Witter	FNMA	01/25/2012	01/25/2017	1.125 % (4)	3,000,000.00	3,008,280.00		Step-up bond, callable with 10 days notice on or after 01/25/13
Citigroup Global Markets Inc.	FNMA	06/06/2012	06/06/2017	1.000 % (4)	3,000,000.00	3,013,170.00		Step-up bond, callable with 10 days notice on or after 06/06/13
Citigroup Global Markets Inc.	FNMA	08/28/2012	08/28/2017	1.100 % (4)	2,000,000.00	2,007,940.00		Fixed rate, callable with 10 days on or after 08/28/13
<b>Total Federal National Mortgage Association</b>					<u>17,000,000.00</u>	<u>17,155,670.00</u>	<u>24.13%</u>	% Rounded 5/4
					<u>\$ 70,101,097.99</u>	<u>70,278,687.99</u>		
<b>BANKRUPTCY CLAIM</b>								
Lehman Bros. Holdings Inc.					<u>\$ 821,710.73</u>	<u>821,710.73</u>		
<b>Total Bankruptcy Claim</b>					<u>821,710.73</u>	<u>821,710.73</u>	<u>1.16%</u>	% Rounded 5/4
<b>Total Outstanding Investments</b>					<u>\$ 70,922,808.72</u>	<u>71,100,398.72</u>	<u>100.00%</u>	*CR = Current rating as of July 19, 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**  
**INVESTMENT ACTIVITY SUMMARY**  
**FOR THE MONTH OF OCTOBER 2012**

Total outstanding investments as of September 30, 2012 \$ 73,338,025.08

	<u>PURCHASE</u>	<u>MATURITY</u>	<u>COUPON</u>	<u>YIELD TO</u>	
	<u>DATE</u>	<u>DATE</u>	<u>RATE</u>	<u>MATURITY</u>	<u>COST</u>
Investment Purchases:					-
Total Purchases: None					-
Investment Maturities:					-
Total Maturities: None					-
Investment Calls:					-
Total Calls: None					-
Investments Sold:					-
Total Sales: None					-
Bankruptcy Claim:					
Held with Lehman Bros. Holdings Inc.					1,013,735.13
Bankruptcy Distribution on 10-01-12					(192,024.40)
					821,710.73
Net increase (decrease) in LAIF					(2,569,316.36)
Net increase (decrease) in Sweep Account					346,124.40
Total outstanding investments as of October 31, 2012					\$ 70,922,808.72

**CITY OF COSTA MESA**  
**SUMMARY OF POLICY LIMITATIONS**  
**AS OF OCTOBER 31, 2012**

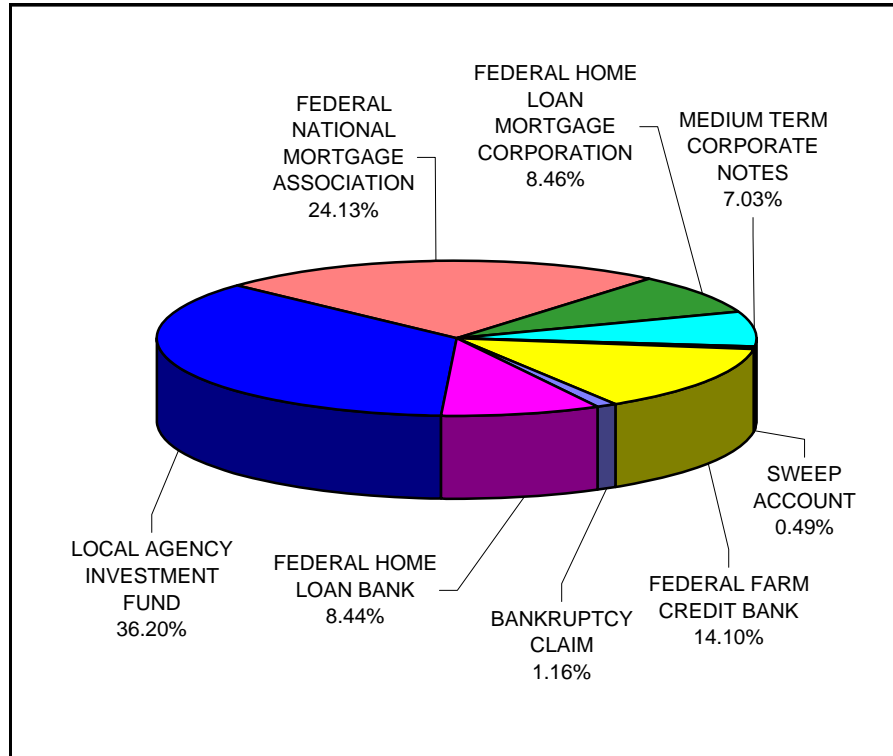
DESCRIPTION	CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 10/31/12	MAXIMUM PERCENTAGE
U.S. Treasury Bills	0.00%	UNLIMITED
U.S. Treasury Notes	0.00%	UNLIMITED
Federal Agency Issues:		
FICB	0.00%	60.00%
FFCB	14.10%	60.00%
FLB	0.00%	60.00%
FHLB	8.44%	60.00%
FNMA	24.13%	60.00%
FHLMC	8.46%	60.00%
Other *	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	7.03%	30.00%
Lehman Bros Holdings Inc	1.16%	
Repurchase Agreements	0.00%	UNLIMITED
Reverse Repurchase Agreements	0.00%	10% of base
LAIF (Local Agency Investment Fund)	36.20%	\$ 50,000,000.00
Current Balance		\$ 25,738,673.59
Orange County Treasurer's Pool	0.00%	35.00%
Money Market Mutual Funds (Sweep Account)	0.49%	10% per fund (2)
Asset-Backed and Mortgage-Backed Securities	0.00%	20.00%
<b>TOTAL</b>	<b>100.00%</b>	<b>(3)</b>
% of Portfolio Maturing within one year	54.37%	(3) no less than 20%
% of Portfolio Maturing or Callable within one year	100.00%	(3)









(1) Current dollar weighted average maturity as of 10/31/12 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 - ASSET ALLOCATION AS OF OCTOBER 31, 2012



	In Thousands
 Local Agency Investment Fund	\$ 25,739
 Sweep Account	346
 Federal Home Loan Mortgage Corporation	6,000
 Federal Home Loan Bank	6,000
 Federal Farm Credit Bank	10,000
 Bankruptcy Claim	822
 Federal National Mortgage Association	17,000
 Medium Term Corporate Notes	5,016
<b>Total</b>	<b>\$ 70,923</b>

% Rounded 5/4



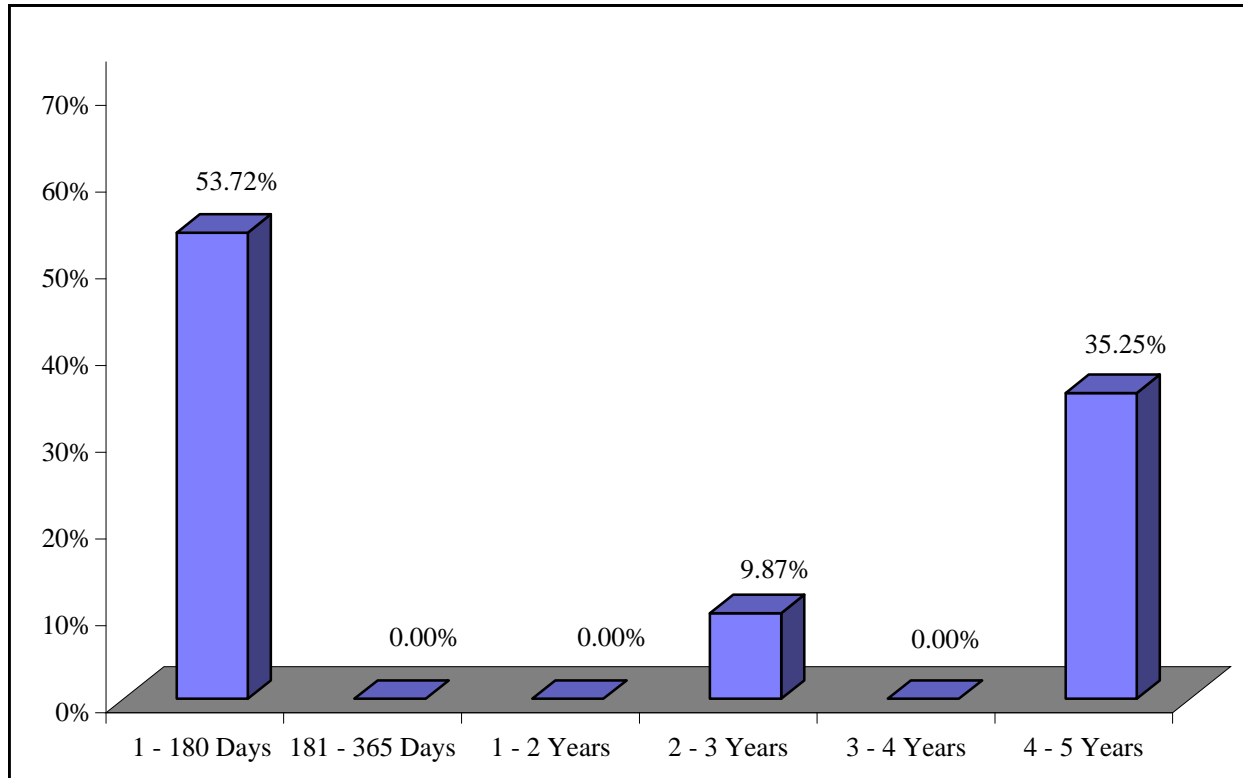
**CITY OF COSTA MESA  
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY  
AS OF OCTOBER 31, 2012**

<u>TYPE OF INVESTMENT</u>	PURCHASE <u>DATE</u>	MATURITY <u>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	\$ 25,738,673.59	25,738,673.59	25,738,673.59	-	-
Stagecoach Treasury Money Market Fund	N/A	CONTINUOUS	346,124.40	346,124.40	346,124.40	-	-
Goldman Sachs Corp. Note	11/08/2007	11/01/2012	3,000,000.00	3,024,900.00	3,000,000.00	81,750.00	(24,900.00)
Morgan Stanley Corp. Note	11/02/2007	11/02/2012	2,000,000.00	1,991,400.00	2,000,000.00	52,208.32	8,600.00
<b>Percent maturing in 2012</b>			<b>43.85%</b>	<b>31,084,797.99</b>	<b>31,101,097.99</b>	<b>133,958.32</b>	<b>(16,300.00)</b>
<u>2013:</u>							
Federal National Mortgage Association	04/15/2008	04/15/2013	5,000,000.00	5,000,000.00	5,087,100.00	8,888.85	87,100.00
Federal National Mortgage Association	04/18/2008	04/18/2013	2,000,000.00	2,000,000.00	2,035,900.00	2,925.00	35,900.00
<b>Percent maturing in 2013</b>			<b>9.87%</b>	<b>7,000,000.00</b>	<b>7,123,000.00</b>	<b>11,813.85</b>	<b>123,000.00</b>
<u>2015:</u>							
* Federal Farm Credit Bank	01/09/2012	01/09/2015	3,000,000.00	3,000,000.00	3,003,540.00	7,186.65	3,540.00
* Federal National Mortgage Association	05/24/2012	08/24/2015	2,000,000.00	2,000,000.00	2,003,280.00	2,605.54	3,280.00
* Federal Home Loan Mortgage Corporation	01/30/2012	10/30/2015	2,000,000.00	2,000,000.00	2,004,020.00	5,055.54	4,020.00
<b>Percent maturing in 2015</b>			<b>9.87%</b>	<b>7,000,000.00</b>	<b>7,010,840.00</b>	<b>14,847.73</b>	<b>10,840.00</b>
<u>2017:</u>							
* Federal National Mortgage Association	01/25/2012	01/25/2017	3,000,000.00	3,000,000.00	3,008,280.00	9,281.25	8,280.00
* Federal Farm Credit Bank	04/04/2012	04/04/2017	2,000,000.00	2,000,000.00	2,010,120.00	2,040.00	10,120.00
* Federal Farm Credit Bank	05/15/2012	05/15/2017	3,000,000.00	3,000,000.00	3,011,040.00	15,769.98	11,040.00
* Federal Home Loan Mortgage Corporation	05/15/2012	05/15/2017	2,000,000.00	2,000,000.00	2,006,940.00	11,527.76	6,940.00
* Federal Home Loan Bank	05/23/2012	05/23/2017	2,000,000.00	2,000,000.00	2,000,440.00	4,388.89	440.00
* Federal Home Loan Bank	05/30/2012	05/30/2017	2,000,000.00	2,000,000.00	2,001,460.00	9,647.22	1,460.00
* Federal National Mortgage Association	06/06/2012	06/06/2017	3,000,000.00	3,000,000.00	3,013,170.00	12,000.00	13,170.00
* Federal Home Loan Mortgage Corporation	08/08/2012	08/08/2017	2,000,000.00	2,000,000.00	2,002,500.00	4,611.10	2,500.00
* Federal Home Loan Bank	08/16/2012	08/16/2017	2,000,000.00	2,000,000.00	2,000,300.00	4,166.66	300.00
* Federal National Mortgage Association	08/28/2012	08/28/2017	2,000,000.00	2,000,000.00	2,007,940.00	3,850.00	7,940.00
* Federal Farm Credit Bank	09/13/2012	09/13/2017	2,000,000.00	2,000,000.00	1,997,860.00	2,720.00	(2,140.00)
<b>Percent maturing in 2017</b>			<b>35.25%</b>	<b>25,000,000.00</b>	<b>25,000,000.00</b>	<b>80,002.86</b>	<b>60,050.00</b>
Sub-total			70,084,797.99	70,101,097.99	70,278,687.99	240,622.76	177,590.00
<b><u>BANKRUPTCY CLAIM</u></b>							
Lehman Bros. Holdings Inc.			821,710.73	821,710.73	821,710.73	-	-
			<b>1.16%</b>	821,710.73	821,710.73	-	-
Total outstanding investments			<b>100.00%</b>	<b>\$ 70,906,508.72</b>	<b>\$ 70,922,808.72</b>	<b>\$ 71,100,398.72</b>	<b>\$ 240,622.76</b>

\* Callable

(1) Gain/Loss equals the fair market value as of the month end less the cost.

## CITY OF COSTA MESA - MATURITIES DISTRIBUTION AS OF OCTOBER 31, 2012



	In Thousands
1 - 180 Days	\$ 38,101
181 - 365 Days	-
1 - 2 Years	-
2 - 3 Years	7,000
3 - 4 Years	-
4 - 5 Years	<u>25,000</u>
<b>* TOTAL</b>	<b><u><u>\$ 70,101</u></u></b>

% Rounded 5/4

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

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

INVESTMENT	CUSIP NUMBER	INTEREST RATE	YIELD TO MATURITY	COST	INTEREST EARNED AT 10/31/2012	PURCHASE DATE	CALL DATE	MATURITY DATE
Local Agency Investment Fund	S99998260	0.340%		\$ 25,738,673.59		10/31/2012		10/31/2012
Wells Fargo Treas Plus Money Mkt Fd	N/A	0.000%		346,124.40		10/31/2012		10/31/2012
Goldman Sachs Corp. Note	38144LAC4	5.450%	5.257%	3,024,900.00	81,750.00	11/08/2007		11/01/2012
Morgan Stanley Corp. Note	6174462T5	5.250%	5.349%	1,991,400.00	52,208.32	11/02/2007		11/02/2012
Federal National Mortgage Association	3136F9FL2	4.000%	4.000%	5,000,000.00	8,888.85	04/15/2008	07/15/2008	04/15/2013
Federal National Mortgage Association	3136F9GW7	4.050%	4.050%	2,000,000.00	2,925.00	04/18/2008	07/18/2008	04/18/2013
Federal Farm Credit Bank	31331K5J5	0.770%	0.770%	3,000,000.00	7,186.65	01/09/2012	01/09/2013	01/09/2015
Federal National Mortgage Association	3136G0GK1	0.700%	0.700%	2,000,000.00	2,605.54	05/24/2012	05/24/2013	08/24/2015
Federal Home Loan Mortgage Corporation	3134G3HW3	1.000%	1.000%	2,000,000.00	5,055.54	01/30/2012	01/30/2013	10/30/2015
Federal National Mortgage Association	3136FTYS2	1.125%	1.125%	3,000,000.00	9,281.25	01/25/2012	01/25/2013	01/25/2017
Federal Farm Credit Bank	3133EAKP2	1.360%	1.360%	2,000,000.00	2,040.00	04/04/2012	04/04/2013	04/04/2017
Federal Farm Credit Bank	3133EAQN1	1.140%	1.140%	3,000,000.00	15,769.98	05/15/2012	05/15/2013	05/15/2017
Federal Home Loan Mortgage Corporation	3134G3UH1	1.250%	1.250%	2,000,000.00	11,527.76	05/15/2012	05/15/2013	05/15/2017
Federal Home Loan Bank	313379CN7	0.500%	1.495%	2,000,000.00	4,388.89	05/23/2012	11/23/2012	05/23/2017
Federal Home Loan Bank	313379FN4	1.150%	1.150%	2,000,000.00	9,647.22	05/30/2012	11/30/2012	05/30/2017
Federal National Mortgage Association	3136G0HX2	1.000%	1.208%	3,000,000.00	12,000.00	06/06/2012	06/06/2013	06/06/2017
Federal Home Loan Mortgage Corporation	3134G3ZP8	1.000%	1.000%	2,000,000.00	4,611.10	08/08/2012	02/08/2013	08/08/2017
Federal Home Loan Bank	313380A80	1.000%	1.000%	2,000,000.00	4,166.66	08/16/2012	11/16/2012	08/16/2017
Federal National Mortgage Association	3135G0NR0	1.100%	1.100%	2,000,000.00	3,850.00	08/28/2012	08/28/2013	08/28/2017
Federal Farm Credit Bank	3133EAU97	1.020%	1.020%	2,000,000.00	2,720.00	09/13/2012	12/13/2012	09/13/2012
				\$ 70,101,097.99	240,622.76			
<b><u>BANKRUPTCY CLAIM</u></b>								
Lehman Bros. Holdings Inc.				821,710.73	-			
				\$ 821,710.73	-			
<b>TOTAL</b>				\$ 70,922,808.72	240,622.76			

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**  
**OUTSTANDING INVESTMENTS**  
**AS OF OCTOBER 31, 2012**

<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	0.340 %	0.340 %	\$ 25,738,673.59
WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND				1	- %	- %	346,124.40
Goldman Sachs Corp. Note	11/08/2007	11/01/2012		1	5.450 %	5.257 %	3,024,900.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012		2	5.250 %	5.349 %	1,991,400.00
FNMA	04/15/2008	04/15/2013	07/15/2008	166	4.000 %	4.000 %	5,000,000.00
FNMA	04/18/2008	04/18/2013	07/18/2008	169	4.050 %	4.050 %	2,000,000.00
FFCB	01/09/2012	01/09/2015	01/09/2013	800	0.770 %	0.770 %	3,000,000.00
FNMA	05/24/2012	08/24/2015	05/24/2013	1,027	0.700 %	0.700 %	2,000,000.00
FHLMC	01/30/2012	10/30/2015	01/30/2013	1,094	1.000 %	1.000 %	2,000,000.00
FNMA	01/25/2012	01/25/2017	01/25/2013	1,547	1.125 %	1.125 %	3,000,000.00
FFCB	04/04/2012	04/04/2017	04/04/2013	1,616	1.360 %	1.360 %	2,000,000.00
FFCB	05/15/2012	05/15/2017	05/15/2013	1,657	1.140 %	1.140 %	3,000,000.00
FHLMC	05/15/2012	05/15/2017	05/15/2013	1,657	1.250 %	1.250 %	2,000,000.00
FHLB	05/23/2012	05/23/2017	11/23/2012	1,665	0.500 %	1.495 %	2,000,000.00
FHLB	05/30/2012	05/30/2017	11/30/2012	1,672	1.150 %	1.150 %	2,000,000.00
FNMA	06/06/2012	06/06/2017	06/06/2013	1,679	1.000 %	1.208 %	3,000,000.00
FHLMC	08/08/2012	08/08/2017	02/08/2013	1,742	1.000 %	1.000 %	2,000,000.00
FHLB	08/16/2012	08/16/2017	11/16/2012	1,750	1.000 %	1.000 %	2,000,000.00
FNMA	08/28/2012	08/28/2017	08/28/2013	1,762	1.100 %	1.100 %	2,000,000.00
FFCB	09/13/2012	09/13/2017	12/13/2012	1,778	1.020 %	1.020 %	2,000,000.00
Total outstanding investments							<u>\$ 70,101,097.99</u>

WEIGHTED AVERAGE:

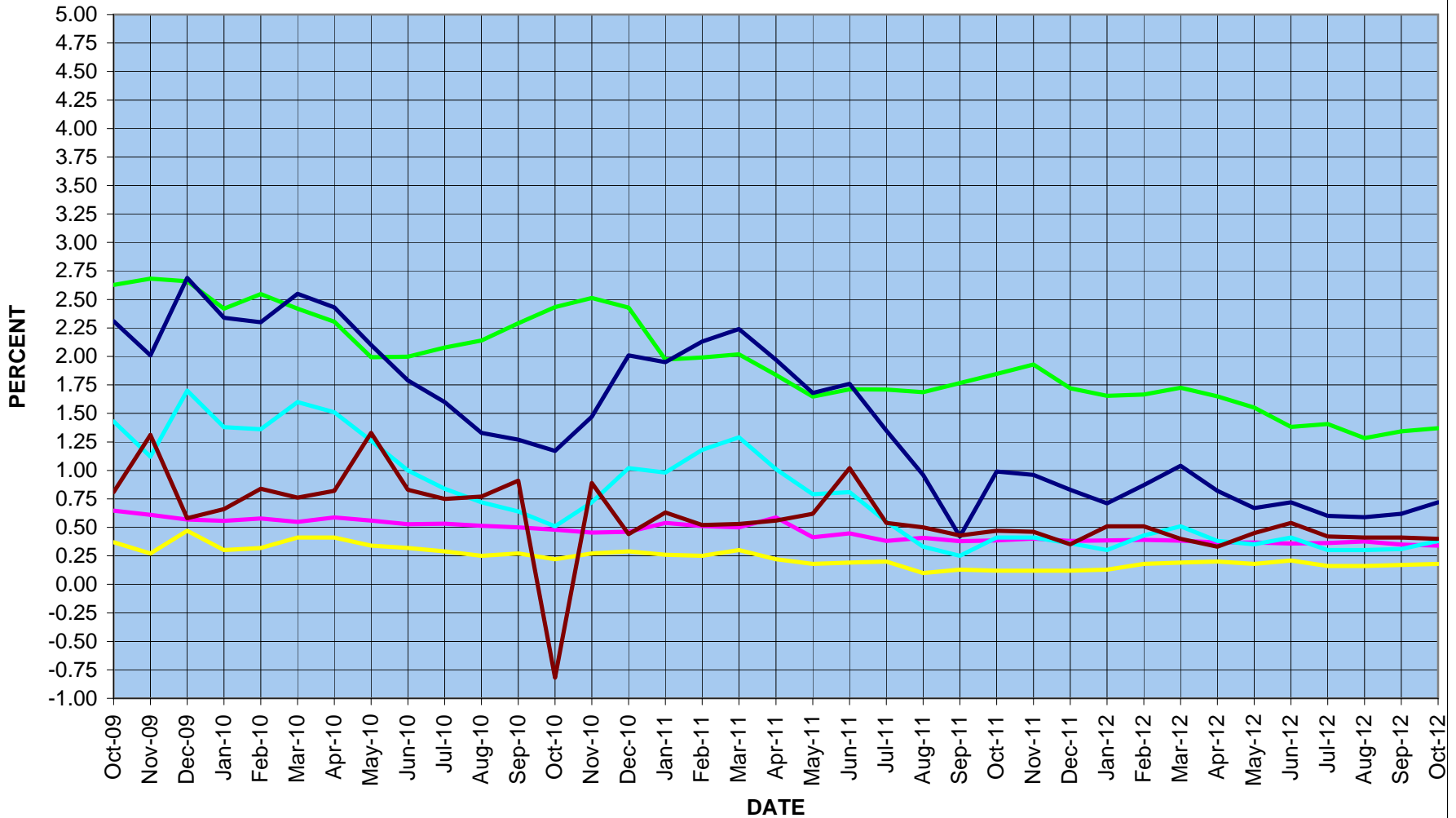
INTEREST RATE OF PORTFOLIO	1.370%
YIELD TO MATURITY OF PORTFOLIO	1.402%
MATURITY OF PORTFOLIO	710 DAYS
MATURITY OF PORTFOLIO LESS POOLS	1,130 DAYS

BANKRUPTCY CLAIM

Lehman Bros. Holdings Inc.	821,710.73
	<u>\$ 821,710.73</u>

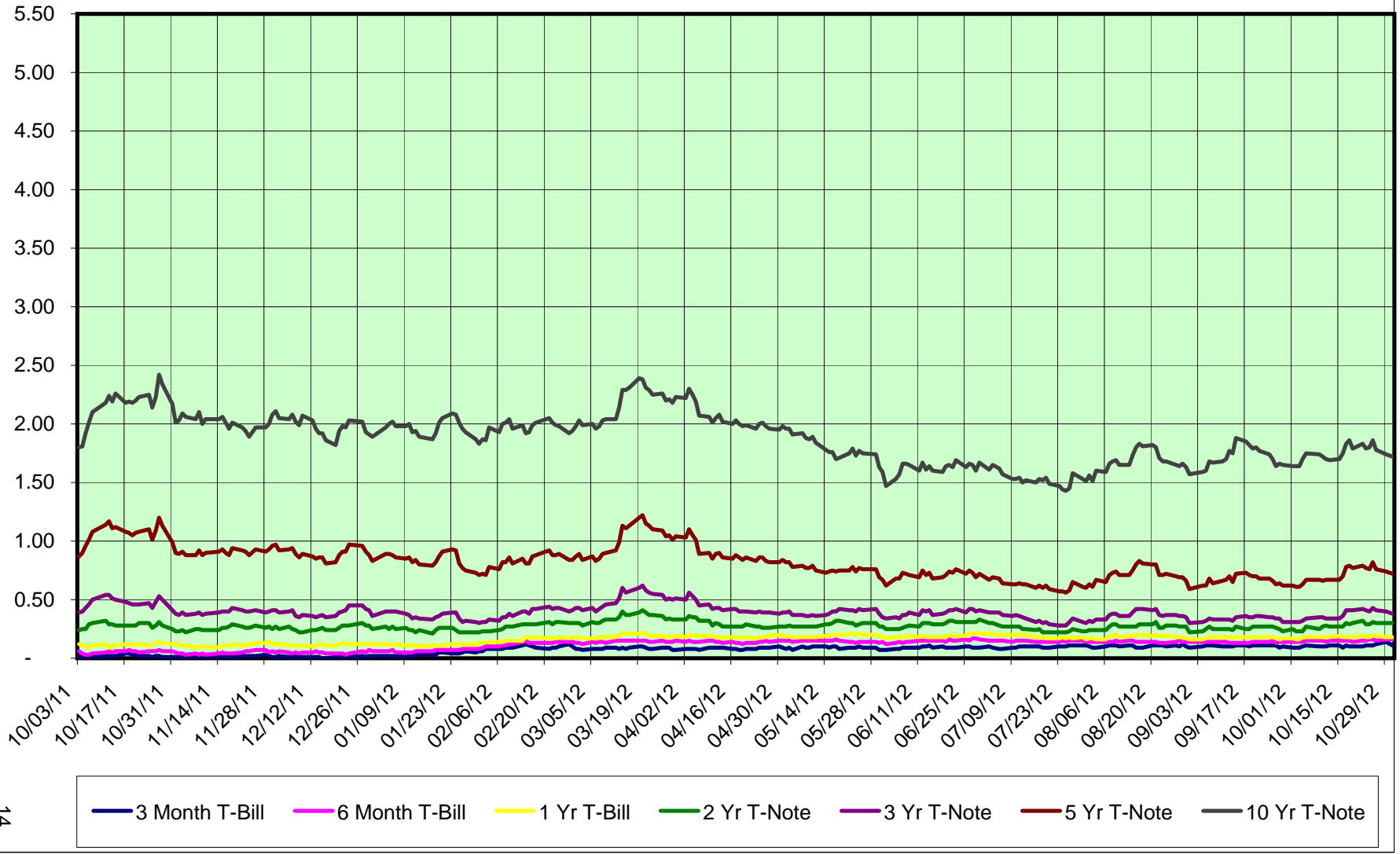
\$ 70,922,808.72

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



— CITY AVERAGE    
 — LAIF    
 — 1 YEAR T-BILL    
 — 3 YEAR T-NOTE    
 — 5 YEAR T-NOTE    
 — OCIP

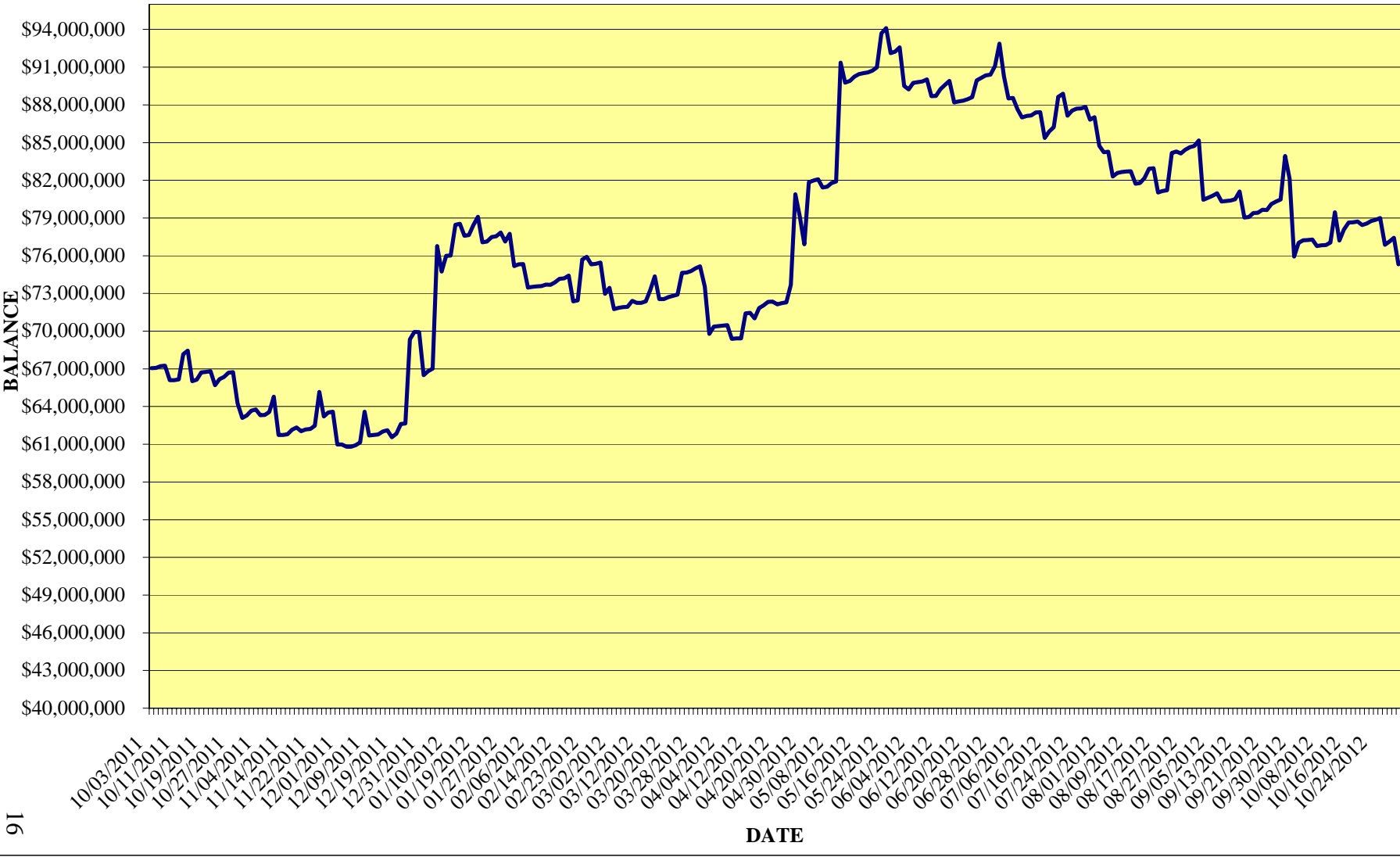
### 2012/2013 Market Rates as of October 31, 2012



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

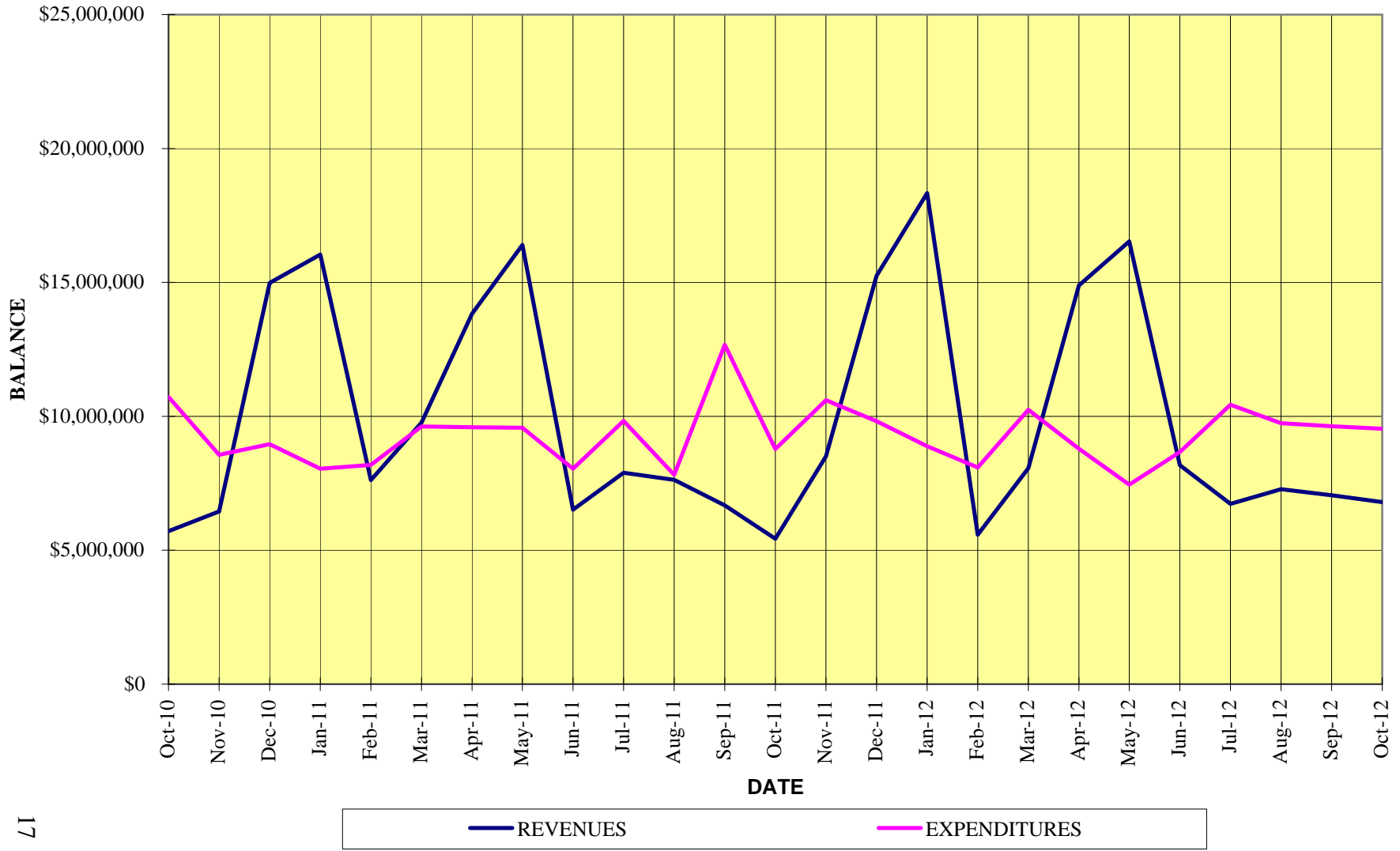
<u>INSTITUTION</u>	<u>TYPE OF INVESTMENT</u>	<u>PURCHASE DATE</u>	<u>MATURITY DATE</u>	<u>COUPON</u>	<u>YIELD TO MATURITY</u>	<u>YIELD TO CALL</u>	<u>CALL DATE</u>	<u>COST</u>
MORGAN STANLEY DEAN WITTER	FHLB	08/16/2012	08/16/2017	1.000%	1.000%	1.000%	11/16/2012	\$ 2,000,000.00
MORGAN STANLEY DEAN WITTER	FHLB	05/23/2012	05/23/2017	0.500%	1.495%	0.500%	11/23/2012	2,000,000.00
E J DE LA ROSA	FHLB	05/30/2012	05/30/2017	1.150%	1.150%	1.150%	11/30/2012	2,000,000.00
E J DE LA ROSA	FFCB	09/13/2012	09/13/2017	1.020%	1.020%	1.020%	12/13/2012	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
WELLS FARGO INSTITUTIONAL SECURITIES, LLC	FHLMC	08/08/2012	08/08/2017	1.000%	1.000%	1.000%	02/08/2013	2,000,000.00
WELLS FARGO INSTITUTIONAL SECURITIES, LLC	FFCB	04/04/2012	04/04/2017	1.360%	1.360%	1.360%	04/04/2013	2,000,000.00
E J DE LA ROSA	FFCB	05/15/2012	05/15/2017	1.140%	1.140%	1.140%	05/15/2013	3,000,000.00
E J DE LA ROSA	FHLMC	05/15/2012	05/15/2017	1.250%	1.250%	1.250%	05/15/2013	2,000,000.00
MORGAN STANLEY DEAN WITTER	FNMA	05/24/2012	08/24/2015	0.700%	0.700%	0.700%	05/24/2013	2,000,000.00
CITIGROUP GLOBAL MARKETS, INC.	FNMA	06/06/2012	06/06/2017	1.000%	1.208%	1.000%	06/06/2013	3,000,000.00
MORGAN STANLEY DEAN WITTER	FNMA	08/28/2012	08/28/2017	1.100%	1.100%	1.100%	08/28/2013	2,000,000.00
							TOTAL	<u>\$ 32,000,000.00</u>

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

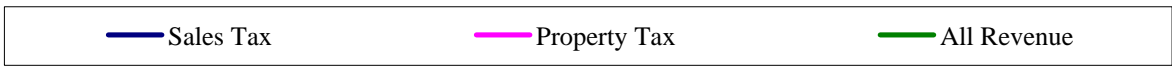
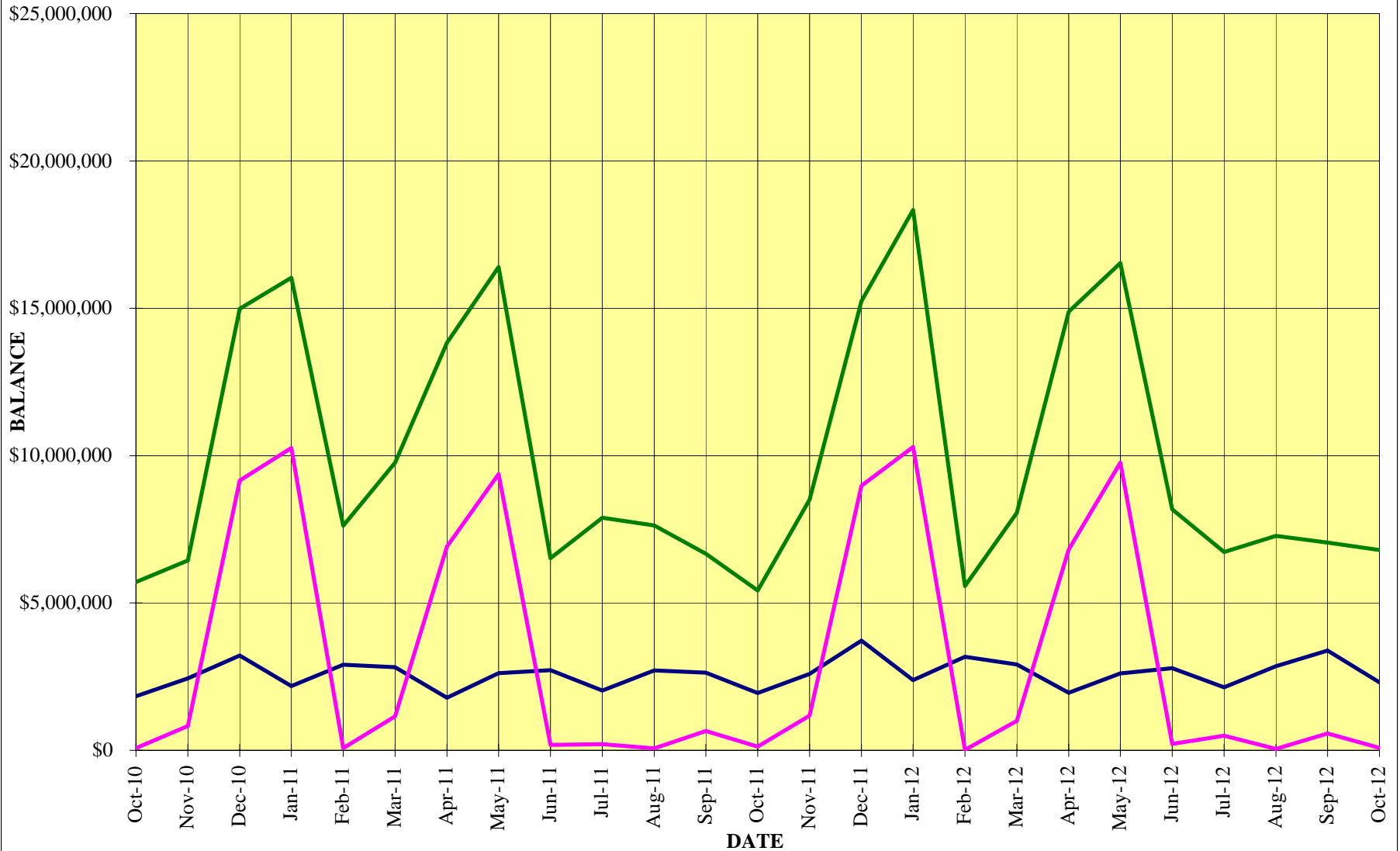




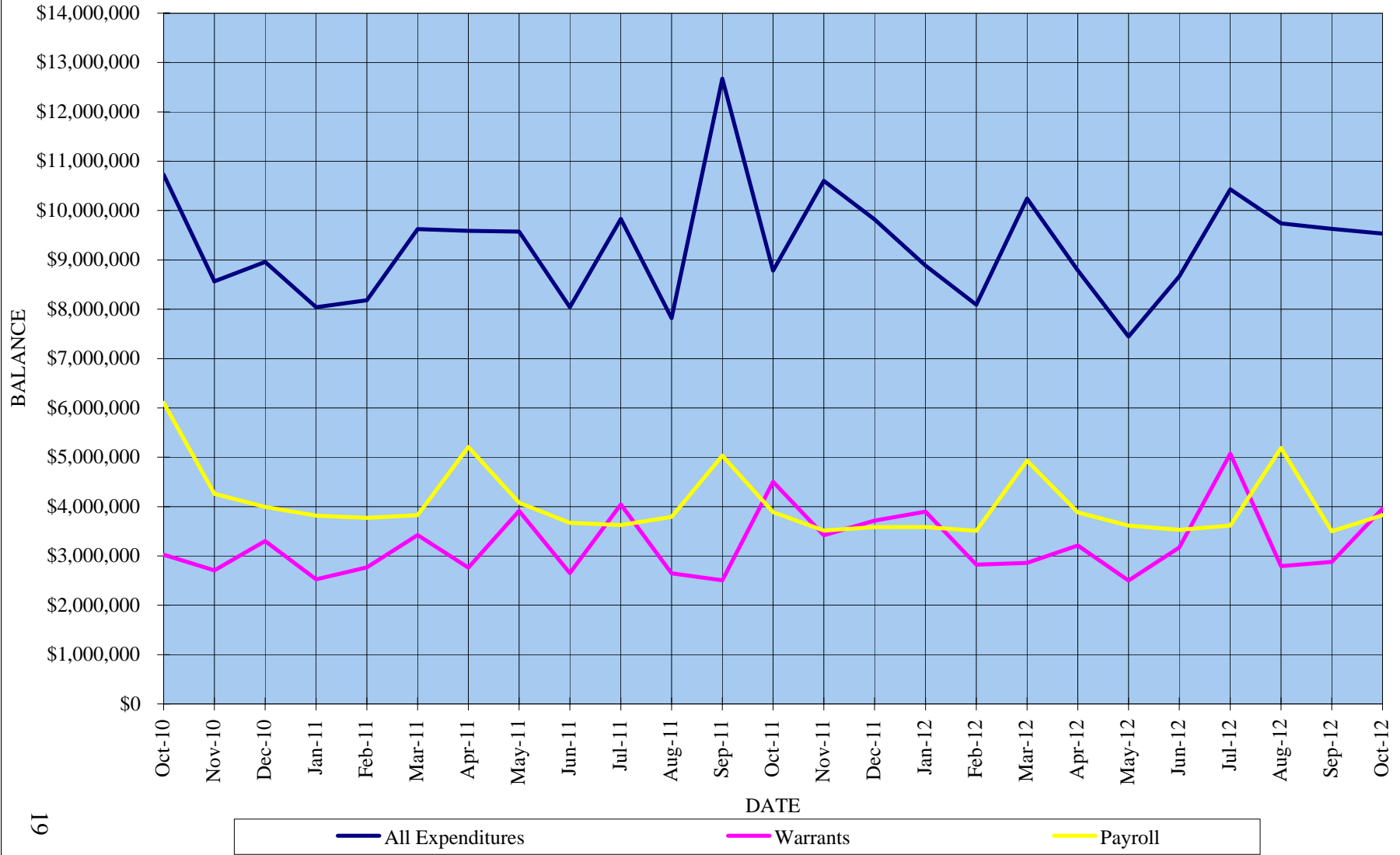
**CITY OF COSTA MESA CASH FLOWS BY MONTH  
AS OF OCTOBER 31, 2012**



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



### CITY OF COSTA MESA EXPENDITURE CHART AS OF OCTOBER 31, 2012



**CITY OF COSTA MESA**  
**SUMMARY OF CASH HELD IN TRUST**  
**AS OF OCTOBER 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	-	-	-	-
Ending Balances				<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</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	1,505,000.00	1,505,000.00	1,505,000.00	8.30
Revenue Fund	Treasury Obligations Fund	First American Funds	Open	19,883.74	19,883.74	19,883.74	-
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	96,179.33	96,179.33	96,179.33	-
Ending Balances				<u>\$ 2,010,662.70</u>	<u>2,010,662.70</u>	<u>2,010,662.70</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	\$ 8,015.43	8,015.43	8,015.43	(1)
Cost Sharing Sustainability	Money Market Fund	Orange County Investment Pool	Open	70,322.04	70,322.04	70,322.04	
Cost Sharing Infrastructure	Money Market Fund	Orange County Investment Pool	Open	195,743.44	195,743.44	195,743.44	
Ending Balances				<u>\$ 274,080.91</u>	<u>274,080.91</u>	<u>274,080.91</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	\$ 198,200.00	198,200.00	198,200.00	(1)
Ending Balances				<u>\$ 198,200.00</u>	<u>198,200.00</u>	<u>198,200.00</u>	

**GRAND TOTALS**

\$ 6,203,398.35      6,203,398.35      6,203,398.35

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, 2012.

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

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 historical and projected General Fund ending cash balances and monthly cash flow activity:

	Treasurer’s Report Cash Balance <b>CY 2010</b>	Treasurer’s Report Cash Balance <b>CY 2011</b>	Treasurer’s Report Cash -Projected Ending Cash Balance <b>CY 2012</b>	Projected Ending Cash Balance <b>CY 2013</b>
January	\$ 18,188,772.20	\$ 20,418,313.67	\$ 26,022,236.51	\$ 27.8 million
February	16,022,093.67	16,408,694.82	24,431,171.70	25.8 million
March	13,628,413.23	16,513,743.53	19,593,018.28	23.2 million
April	15,078,529.66	19,186,464.54	24,815,597.57	28.4 million
May	23,390,617.45	29,235,842.88	32,803,661.57	36.2 million
June	21,004,071.23	21,004,071.23	28,716,660.46	31.6 million
July	19,600,554.97	22,658,397.45	27,341,364.77	N/A
August	17,809,840.64	23,267,945.73	23,094,976.83	N/A
September	12,346,493.13	14,599,893.74	17,895,568.27	N/A
October	6,756,802.49	12,912,317.50	16,277,020.04	N/A
November	5,391,178.97	13,557,875.16	15.6 million	N/A
December	12,351,481.85	20,963,292.06	21.9 million	N/A

(1) Projected by Staff – March 2012.

The October 2012 General Fund cash balance of \$16.2 million, was \$1.2 million higher than the amount originally projected. Staff’s analysis concludes that cash received from Sales Tax and Transient Occupancy Tax (TOT) revenue was higher than projected, with Payroll expenditures being slightly lower than estimated. This increase effects future monthly projections, which have now been updated. The month of November is traditionally the lowest cash balance month of the calendar year.