



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

TO: HONORABLE CITY COUNCIL

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

DATE: OCTOBER 20, 2011

SUBJECT: *TREASURER'S REPORT FOR THE MONTH OF SEPTEMBER, 2011*

Attached is the Treasurer's Report for the month of September 2011. This performance report lists the various types of securities, institutions the securities were purchased from, maturity dates and interest rates for all securities held in the City's investment portfolio as of the end of the reporting period. All of the City's investments as of September 30, 2011, are in compliance with the Investment Policy and the California Government Code except as otherwise noted or disclosed herein. All market values provided in this report were obtained from The Bank of New York Mellon, except for the Local Agency Investment Fund (LAIF). Market values for LAIF were provided by the State Treasurer's Office. The market value shown for the City's LAIF investment represents the City's contractual rights to its LAIF account and does not represent the value of the underlying portfolio securities. As of September 30, 2011, the City has adequate cash reserves necessary to meet its obligations for the next six months.

The weighted average stated rate of return (current yield) for the City's investment portfolio as of September 30, 2011, was 1.767%. The yield to maturity of the portfolio was 1.694%. The current yield of the City's portfolio was 139 basis points (1.389%) above the current yield of the State of California's Local Agency Investment Fund (LAIF) of .378% for the month ended September 30, 2011. The weighted average number of days to maturity for the total portfolio was 236 days (.646 years). The weighted average number of days to maturity for the total portfolio less pools was 612 days (1.677 years). The average duration for the underlying securities within LAIF as of September 30 was 236 days (0.646 years).

There were no securities purchased during the month of September, 2011.

The following securities were called during the month of September, 2011:

<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	06/09/2011	2,000,000.00	.750%	.750%	.750%	09/09/2013
FHLB	06/30/2011	2,000,000.00	1.400%	1.400%	1.400%	12/30/2014

There were no securities sold during the month of September, 2011.

There were no securities matured during the month of September, 2011.

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 is scheduled for December 6, pending approval by creditors. 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.

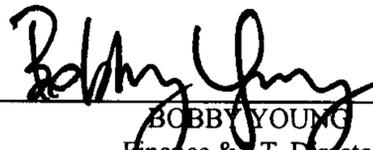
If you have any questions or need additional information, feel free to contact me directly.


BOBBY YOUNG
Finance & I.T. Director

Attachment: Treasurer's Report for the month of September, 2011

CITY OF COSTA MESA
TREASURER'S REPORT OF POOLED CASH AND INVESTMENTS
AS OF SEPTEMBER 30, 2011

<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	\$1,608,912.90	188,781.39	743,455.87	1,054,238.42
Reconciling Items		1,055.06	467,833.17	(466,778.11)
Vendor Payment Account		6,287.01	31,808.60	(25,521.59)
Bank of America - Flex Benefit Plan, C.A.I.		-	1,941.62	(1,941.62)
Total Active Accounts	<u>1,608,912.90</u>	<u>196,123.46</u>	<u>1,245,039.26</u>	<u>559,997.10</u>
<u>INVESTMENTS</u>	<u>COST</u>			
Bank of New York-Trust Sweep Account	-			-
Local Agency Investment Fund	39,370,274.81			39,370,274.81
Medium Term Corporate Notes	10,682,900.00			10,682,900.00
Federal Home Loan Mortgage Corporation	2,000,000.00			2,000,000.00
Federal Farm Credit Bank	4,000,000.00			4,000,000.00
Federal Home Loan Bank	1,000,000.00			1,000,000.00
Federal National Mortgage Association	7,000,000.00			7,000,000.00
	<u>64,053,174.81</u>			<u>64,053,174.81</u>
Market Value Adjustment at 06-30-2011				813,171.25
				<u>64,866,346.06</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>69,102,874.81</u>	<u>-</u>	<u>-</u>	<u>66,181,971.06</u>
<u>IMPREST ACCOUNTS</u>				
Bank of America - Bail	10.00	-	-	10.00
Long Term Disability	20,000.00			20,000.00
	<u>20,010.00</u>	<u>-</u>	<u>-</u>	<u>20,010.00</u>
City of Costa Mesa Change Funds	<u>70,731,797.71</u>	<u>196,123.46</u>	<u>1,245,039.26</u>	<u>66,761,978.16</u>
ABLE Change Fund				12,075.00
				<u>100.00</u>
TOTAL POOLED CASH AND INVESTMENTS				<u>\$ 66,774,153.16</u>


BOBBY YOUNG
 Finance & I.T. Director

10/20/11
 DATE

POOLED CASH AND INVESTMENTS BY FUND
FOR THE MONTH ENDING SEPTEMBER 2011

FUND NO	FUND NAME	AMOUNT
101	General Fund	\$ 14,599,893.74 *
201	Special Gas Tax Fund	12,733,279.53
202	Prop. 172 - Public Safety Fund	394,191.36
203	Air Quality Improvement Fund (AB 2766)	628,003.56
205	HUD -HOME Program-HOME Investment Partnership Act	33,977.83
207	HUD -Community Development Block Grant Program Fund	(261,283.87)
208	Park Development Fees Fund	1,457,353.94
209	Drainage Fees Fund	889,452.02
213	Supplemental Law Enforcement Services Fund (SLESF)	(42,298.56)
214	Traffic Impact Fees Fund	3,707,588.25
216	HUD -Rental Rehabilitation Program Fund	(577.96)
217	Narcotics Forfeiture Fund	1,524,939.40
218	Fire System Development Fees Fund	725,584.40
219	Local Law Enforcement Block	28,928.94
220	Office of Traffic Safety	(73,467.14)
221	Homelessness Prevention	(4,311.25)
260	Airborne Law Enforcement Fund	1,018,340.17
261	Helicopter Replacement Fund	3,159,488.97
401	Capital Outlay Fund	1,274,663.37
403	Measure "M" Construction Fund	4,304,177.85
409	Vehicle Parking District #1 Fund	2,218.79
410	Vehicle Parking District #2 Fund	2,060.59
413	Golf Course Improvement Fund	696,245.72
414	Measure "M" Turnback Fund	3,509,282.98
415	Measure "M" 2 Fund	(91,225.78)
416	Measure "M" 2 Fairshare Fund	402,590.46
601	Equipment Maintenance and Replacement Fund	5,152,430.94
602	Self-Insurance Fund - Liab/W.C./Unemployment	6,570,091.50
701	Deposits	2,936,645.71
705	Costa Mesa Community Foundation	111,138.53
755	Police Retirement - 1% Supplemental	1,384,749.17
	Total Pooled Cash & Investments	<u>\$ 66,774,153.16</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 SEPTEMBER 2011

Total outstanding investments as of August 31, 2011					\$ 76,202,874.81
	<u>PURCHASE</u> <u>DATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>COUPON</u> <u>RATE</u>	<u>YIELD TO</u> <u>MATURITY</u>	<u>COST</u>
Investment Purchases:					-
Total Purchases: None					-
Investment Maturities:					-
Total Maturities: None					-
Investment Calls:					
Federal Farm Credit Bank	06/09/2011	09/09/2013	0.750%	0.750%	(2,000,000.00)
Federal Home Loan Bank	06/30/2011	12/30/2014	1.400%	1.400%	(2,000,000.00)
Total Calls:					(4,000,000.00)
Investments Sold:					
Total Sales: None					-
Net increase (decrease) in LAIF					(3,100,000.00)
Net increase (decrease) in Sweep Account					-
Total outstanding investments as of September 30, 2011					\$ 69,102,874.81

CITY OF COSTA MESA
INVESTMENT ACTIVITY SUMMARY
FOR THE QUARTER ENDING SEPTEMBER 30, 2011

Total outstanding investments as of June 30, 2011						\$ 78,750,910.75
	<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:						
Federal Home Loan Mortgage Corporation	08/24/2011	02/24/2015	1.200%	1.200%	2,000,000.00	
Total Purchases:					<u>2,000,000.00</u>	
Investments Sold:						-
Total Sales: None						<u>-</u>
Investment Maturities:						-
Total Maturities: None						<u>-</u>
Investments Called:						
Federal National Mortgage Association	02/04/2011	08/04/2014	1.750%	1.750%	(1,000,000.00)	
Federal Home Loan Bank	05/12/2011	11/12/2014	2.000%	2.000%	(2,000,000.00)	
Federal Home Loan Mortgage Corporation	02/23/2011	08/23/2013	1.350%	1.350%	(1,000,000.00)	
Federal Farm Credit Bank	06/09/2011	09/09/2013	0.750%	0.750%	(2,000,000.00)	
Federal Home Loan Bank	06/30/2011	12/30/2014	1.400%	1.400%	(2,000,000.00)	
Total Called:					<u>(8,000,000.00)</u>	
Net increase (decrease) in LAIF						(3,648,035.94)
Net increase (decrease) in Sweep Account						<u>-</u>
Total outstanding investments as of September 30, 2011						<u>\$ 69,102,874.81</u>

CITY OF COSTA MESA
 INVESTMENTS AND INVESTMENT EARNINGS
 AS OF SEPTEMBER 30, 2011

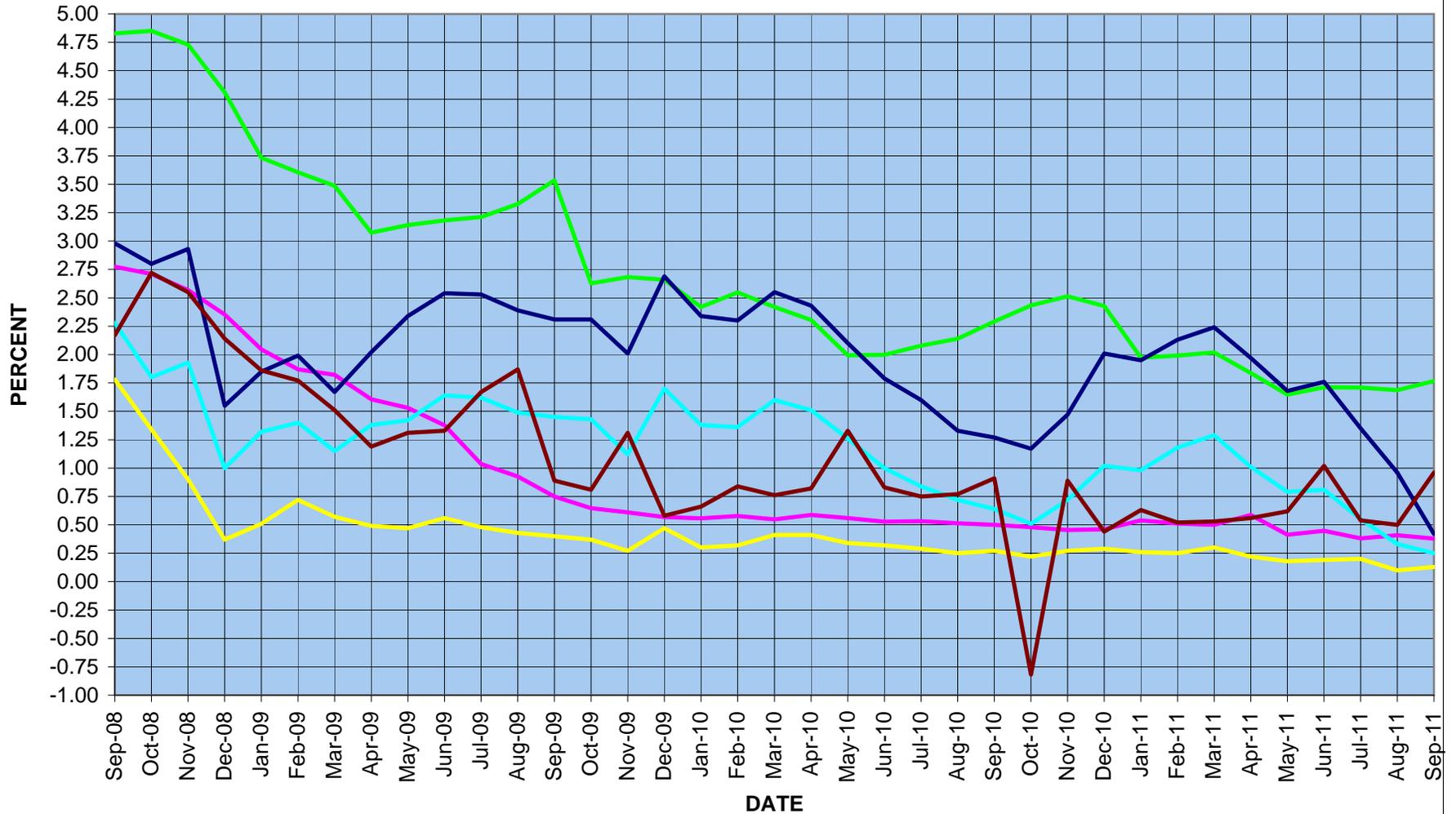
INVESTMENT	CUSIP NUMBER	INTEREST RATE	YIELD TO MATURITY	COST	INTEREST EARNED AT 09/30/2011	PURCHASE DATE	CALL DATE	MATURITY DATE
Local Agency Investment Fund	S99998260	0.378%		\$ 39,370,274.81		09/30/2011		09/30/2011
Wells Fargo Treas Plus Money Mkt Fd	N/A	0.000%		-		09/30/2011		09/30/2011
HSBC Corp. Note	40429CFZ0	5.900%	5.216%	3,081,600.00	50,149.98	12/11/2007		06/19/2012
Merrill Lynch Corp. Note	59018YJ36	6.050%	5.204%	2,585,000.00	19,326.38	01/17/2008		08/15/2012
Goldman Sachs Corp. Note	38144LAC4	5.450%	5.257%	3,024,900.00	68,124.99	11/08/2007		11/01/2012
Morgan Stanley Corp. Note	6174462T5	5.250%	5.349%	1,991,400.00	43,458.32	11/02/2007		11/02/2012
Federal National Mortgage Association	3136F9FL2	4.000%	4.000%	5,000,000.00	92,222.20	04/15/2008	07/15/2008	04/15/2013
Federal National Mortgage Association	3136F9GW7	4.050%	4.050%	2,000,000.00	36,675.00	04/18/2008	07/18/2008	04/18/2013
Federal Home Loan Bank	3133736R8	1.250%	1.250%	1,000,000.00	5,555.55	04/21/2011	10/21/2011	01/21/2014
Federal Farm Credit Bank	31331KJT8	1.340%	1.340%	2,000,000.00	11,092.22	05/02/2011	05/02/2012	05/02/2014
Federal Farm Credit Bank	31331KNR7	1.370%	1.370%	2,000,000.00	8,067.76	06/15/2011	12/15/2011	12/15/2014
Federal Home Loan Mortgage Corporation	3134G2XR8	1.200%	1.200%	2,000,000.00	2,466.66	08/24/2011	02/24/2012	02/24/2015
				<u>\$ 64,053,174.81</u>	<u>337,139.06</u>			
<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
				<u>\$ 5,049,700.00</u>	<u>-</u>			
TOTAL				<u>\$ 69,102,874.81</u>	<u>337,139.06</u>			

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

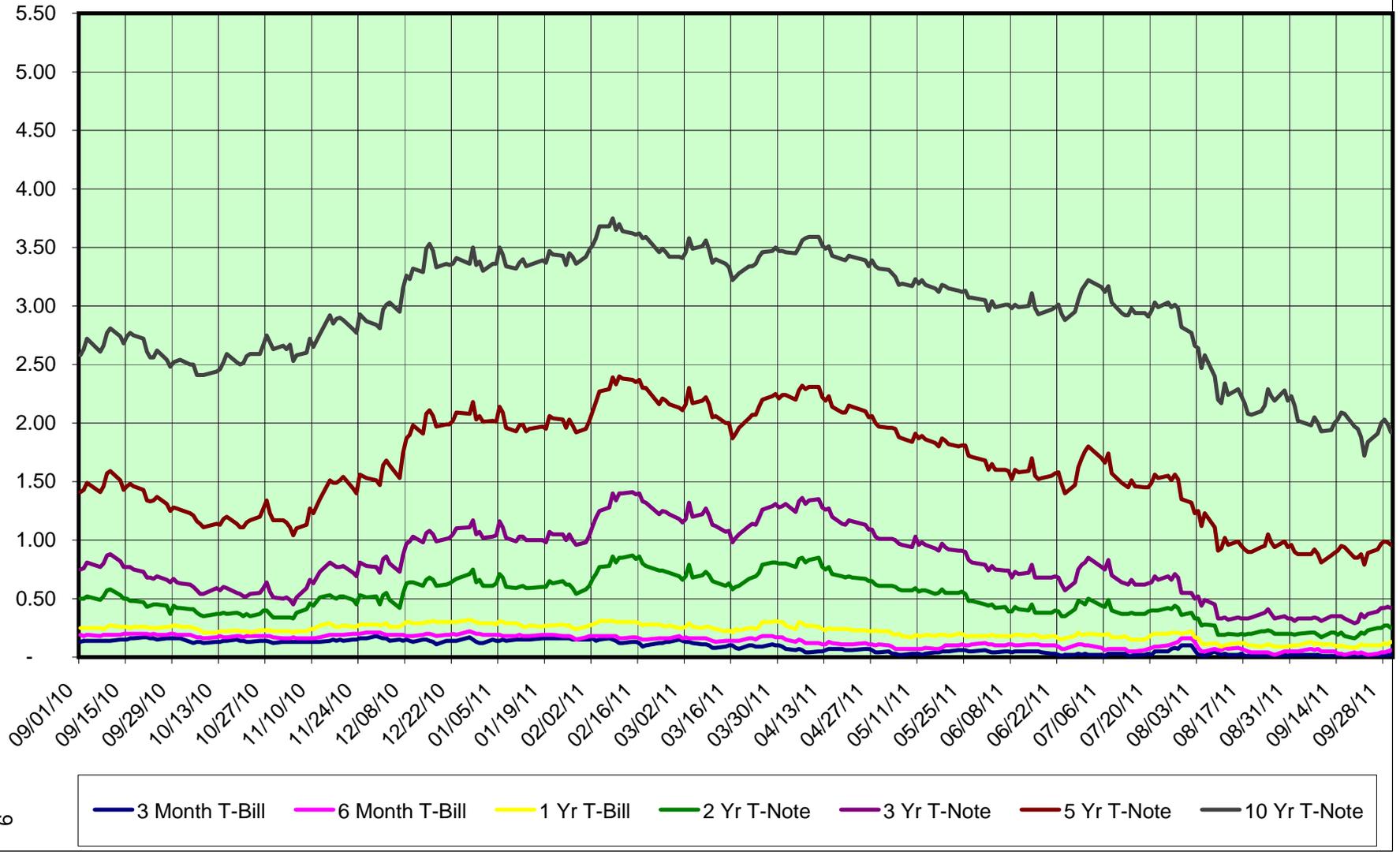
FNMA - Federal National Mortgage Corporation
 FHLMC - Federal Home Loan Mortgage Corporation
 MTCN - Medium Term Corporate Note

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

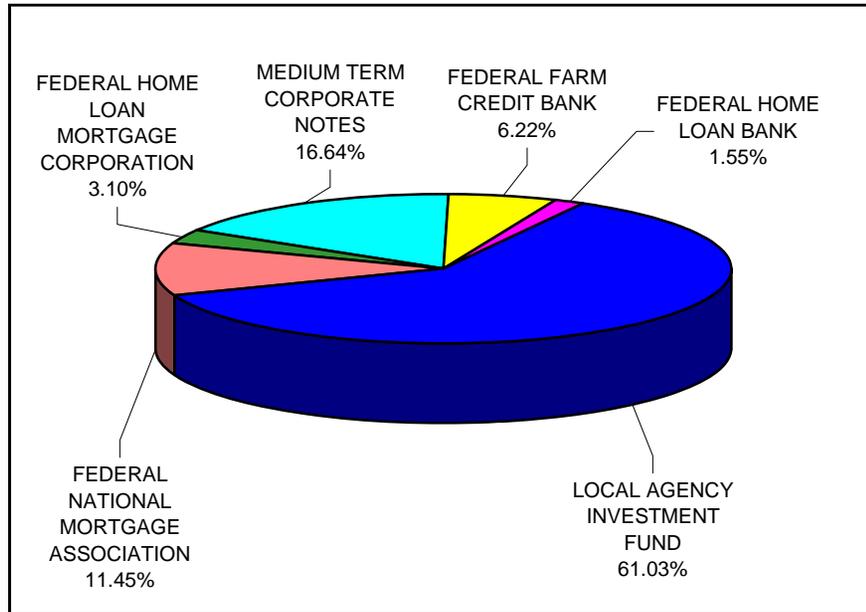
CITY OF COSTA MESA - PORTFOLIO INTEREST RATE INFORMATION AS OF SEPTEMBER 30, 2011



2011/2012 Market Rates as of September 30, 2011



CITY OF COSTA MESA - ASSET ALLOCATION AS OF SEPTEMBER 30, 2011



		In Thousands
■	Local Agency Investment Fund	\$ 39,370
■	Federal Home Loan Mortgage Corporation	2,000
■	Federal Farm Credit Bank	4,000
■	Federal Home Loan Bank	1,000
■	Federal National Mortgage Association	7,000
■	Medium Term Corporate Notes	<u>10,683</u>
	Total	<u><u>\$ 64,053</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 SEPTEMBER 30, 2011

DESCRIPTION	CURRENT PERCENTAGE BASED ON MARKET VALUE AS OF 09/30/11	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	6.11%	60.00%
FLB	0.00%	60.00%
FHLB	1.52%	60.00%
FNMA	11.25%	60.00%
FHLMC	3.05%	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	16.34%	30.00%
Repurchase Agreements	0.00%	UNLIMITED
Reverse Repurchase Agreements	0.00%	10% of base
LAIF (Local Agency Investment Fund)	59.93%	\$ 50,000,000.00
Current Balance		\$ 39,370,274.81
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	98.19%	(3)
% of Portfolio Maturing within one year	69.72%	(3) no less than 20%
% of Portfolio Maturing or Callable within one year	80.60%	(3)

(1) Current dollar weighted average maturity as of 09/30/11 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

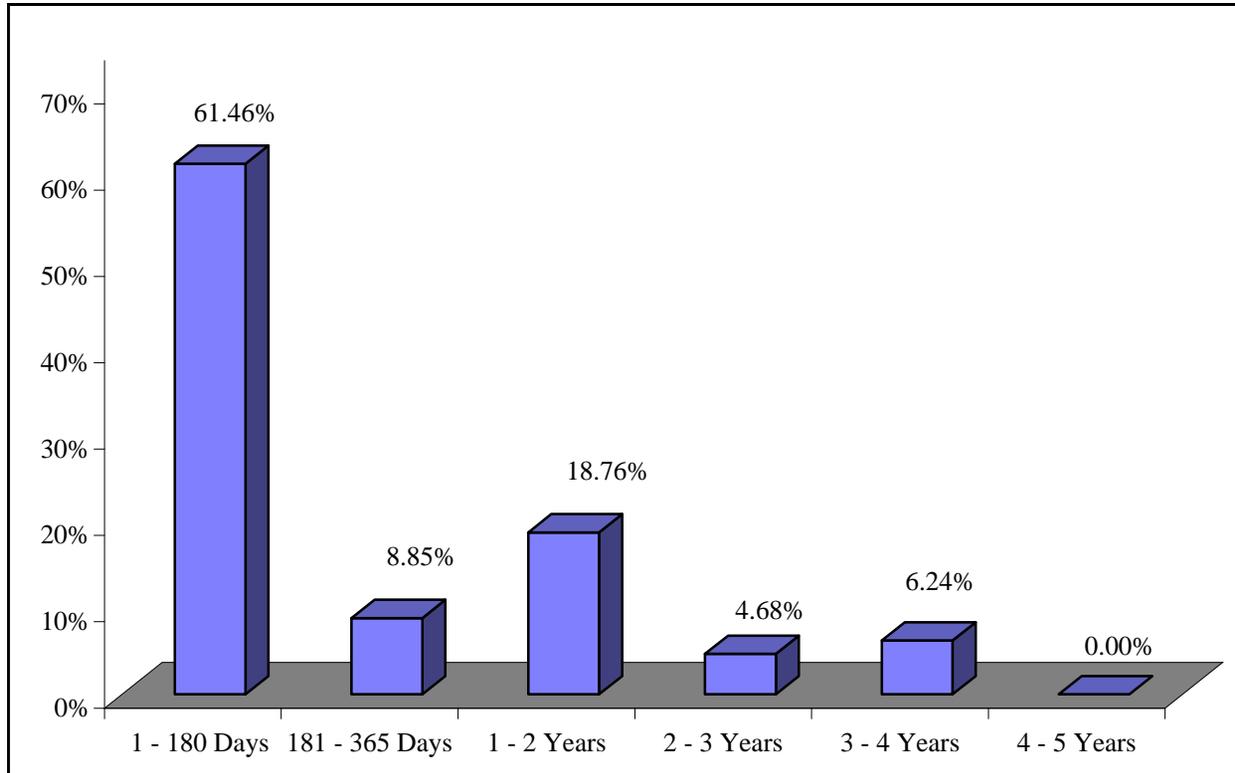
CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY INSTRUMENT TYPE
AS OF SEPTEMBER 30, 2011

INSTITUTION	TYPE OF INVESTMENT	PURCHASE DATE	MATURITY DATE	INTEREST RATE	COST	MARKET VALUE AS OF 09/30/11	% of PORTFOLIO	SPECIAL CHARACTERISTICS OF INVESTMENTS
Local Agency Investment Fund	POOL	N/A	CONTINUOUS	0.378 % (1)	\$ 39,370,274.81	39,370,274.81	59.93%	Local Agency Investment Fund - State Treasurer's Pool
Wells Fargo Treas Plus Money Mkt	Money Market Fund	N/A	CONTINUOUS	- % (2)	-	-	0.00%	Stagecoach Funds Inc. Treasury Money Market Mutual Fund
<u>Medium Term Corporate Notes:</u>								
Morgan Stanley	HSBC Corp. Note	12/11/2007	06/19/2012	5.900 % (4)	3,081,600.00	3,083,310.00		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	2,522,950.00		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	3,092,550.00		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	2,036,480.00		Bullet; Moody's/S & P rated as Aa3/AA-e *(CR - A2/A neg outlook)
Total Medium Term Corporate Notes					<u>10,682,900.00</u>	<u>10,735,290.00</u>	<u>16.34%</u>	
<u>Federal Farm Credit Bank:</u>								
De La Rosa	FFCB	05/02/2011	05/02/2014	1.340 % (4)	2,000,000.00	2,010,180.00		Fixed rate, callable with 5 days on or after 05/02/12
De La Rosa	FFCB	06/15/2011	12/15/2014	1.370 % (4)	2,000,000.00	2,003,125.00		Fixed rate, callable with 5 days on or after 12/15/11
Total Federal Farm Credit Bank					<u>4,000,000.00</u>	<u>4,013,305.00</u>	<u>6.11%</u>	% Rounded 5/4
<u>Federal Home Loan Mortgage Corporation:</u>								
De La Rosa	FHLMC	08/24/2011	02/24/2015	1.200 % (4)	2,000,000.00	2,000,640.00		Fixed rate, callable with 5 days notice on or after 02/24/12
Total Federal Home Loan Mortgage Corporation					<u>2,000,000.00</u>	<u>2,000,640.00</u>	<u>3.05%</u>	% Rounded 5/4
<u>Federal National Mortgage Association:</u>								
Morgan Keegan	FNMA	04/15/2008	04/15/2013	4.000 % (4)	5,000,000.00	5,275,850.00		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	2,112,440.00		Fixed rate, callable with 10 days notice only on 07/18/08
Total Federal National Mortgage Association					<u>7,000,000.00</u>	<u>7,388,290.00</u>	<u>11.25%</u>	% Rounded 5/4
<u>Federal Home Loan Bank:</u>								
De La Rosa	FHLB	04/21/2011	01/21/2014	1.250 % (4)	1,000,000.00	1,000,510.00		Fixed rate, callable with 5 days notice only on 10/21/11
Total Federal National Mortgage Association					<u>1,000,000.00</u>	<u>1,000,510.00</u>	<u>1.52%</u>	% Rounded 5/4
Sub-total					\$ 64,053,174.81	64,508,309.81		
<u>DEFAULTED SECURITIES</u>								
Morgan Keegan	Lehman Bros. Hldg Corp. Note	01/23/2008	02/06/2012	5.250 % (4)	2,509,000.00	590,625.00		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	600,000.00		Bullet; Moody's/S & P rated as A1/A+e *(CR - DEFAULT)
Total Securities in Default					<u>5,049,700.00</u>	<u>1,190,625.00</u>	<u>1.81%</u>	% Rounded 5/4
Total Outstanding Investments					<u>\$ 69,102,874.81</u>	<u>65,698,934.81</u>	<u>100.00%</u>	*CR = Current rating as of October 11, 2011

INTEREST RATE LEGEND

- | | |
|--|---|
| (1) LAIF rate quoted as of the last day of the month | (3) Money Market Equivalent Yield at time of purchase |
| (2) Yield quoted by the Fund as of the last day of the month | (4) Coupon rate of instrument |

CITY OF COSTA MESA - MATURITIES DISTRIBUTION AS OF SEPTEMBER 30, 2011



	In Thousands
1 - 180 Days	\$ 39,370
181 - 365 Days	5,667
1 - 2 Years	12,016
2 - 3 Years	3,000
3 - 4 Years	4,000
4 - 5 Years	<u>-</u>
* TOTAL	<u><u>\$ 64,053</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
OCTOBER 2007 THROUGH SEPTEMBER 2011

<u>MONTH</u>	<u>% OF PORTFOLIO BY AGENCY</u>				<u>TOTAL % OF</u>
	<u>FFCB</u>	<u>FHLB</u>	<u>FHLMC</u>	<u>FNMA</u>	<u>PORTFOLIO IN</u>
					<u>FEDERAL AGENCIES</u>
October 2007	7.03%	47.84%	19.44%	16.16%	90.48%
November 2007	7.15%	38.88%	17.12%	13.38%	76.54%
December 2007	7.04%	36.23%	17.85%	11.14%	72.26%
January 2008	6.56%	28.09%	10.96%	10.37%	55.97%
February 2008	1.91%	23.35%	8.29%	3.46%	37.01%
March 2008	2.02%	15.60%	7.76%	3.66%	29.04%
April 2008	4.77%	8.50%	10.15%	14.90%	38.32%
May 2008	4.43%	9.66%	15.61%	13.81%	43.50%
June 2008	2.80%	3.73%	19.80%	14.55%	40.88%
July 2008	5.91%	3.92%	22.65%	17.81%	50.29%
August 2008	6.27%	4.17%	26.10%	18.85%	55.39%
September 2008	7.31%	4.85%	30.48%	20.79%	63.43%
October 2008	7.74%	5.14%	31.08%	18.67%	62.62%
November 2008	3.91%	5.26%	28.76%	19.21%	57.15%
December 2008	3.80%	2.60%	16.50%	18.87%	41.77%
January 2009	0.00%	2.35%	7.99%	17.06%	27.40%
February 2009	0.00%	2.48%	2.42%	18.05%	22.94%
March 2009	0.00%	2.60%	0.00%	17.63%	20.22%
April 2009	5.23%	2.17%	14.19%	9.38%	30.97%
May 2009	5.57%	2.29%	15.02%	9.88%	32.76%
June 2009	5.87%	2.41%	15.84%	10.41%	34.53%
July 2009	6.25%	2.56%	16.87%	11.10%	36.78%
August 2009	6.63%	2.71%	17.91%	11.84%	39.09%
September 2009	7.27%	2.96%	19.61%	12.98%	42.84%
October 2009	7.37%	2.99%	12.51%	13.14%	36.01%
November 2009	7.58%	3.07%	12.85%	13.63%	37.12%
December 2009	7.57%	3.06%	12.85%	13.45%	36.92%
January 2010	7.02%	2.83%	7.01%	12.54%	29.40%
February 2010	7.45%	2.99%	7.44%	13.38%	31.25%
March 2010	7.76%	3.12%	0.00%	11.55%	22.43%
April 2010	0.00%	3.07%	0.00%	11.46%	14.53%
May 2010	0.00%	0.00%	0.00%	10.29%	10.29%
June 2010	0.00%	0.00%	0.00%	10.56%	10.56%
July 2010	0.00%	0.00%	0.00%	11.09%	11.09%
August 2010	0.00%	0.00%	0.00%	11.62%	11.62%
September 2010	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%	1.52%	3.05%	11.25%	15.81%
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	<u>6.11%</u>	<u>1.52%</u>	<u>3.05%</u>	<u>11.25%</u>	<u>21.92%</u>
AVERAGE	4.03%	6.44%	9.60%	13.01%	33.08%

**CITY OF COSTA MESA
OUTSTANDING INVESTMENTS BY YEAR OF MATURITY
AS OF SEPTEMBER 30, 2011**

<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>	
2011:								
Local Agency Investment Fund	N/A	CONTINUOUS	\$ 39,370,274.81	39,370,274.81	39,370,274.81	-	-	
Stagecoach Treasury Money Market Fund	N/A	CONTINUOUS	-	-	-	-	-	
	Percent maturing in 2011		56.97%	<u>39,370,274.81</u>	<u>39,370,274.81</u>	<u>39,370,274.81</u>	<u>-</u>	<u>-</u>
2012:								
HSBC Corp. Note	12/11/2007	06/19/2012	3,000,000.00	3,081,600.00	3,083,310.00	50,149.98	1,710.00	
Merrill Lynch Corp. Note	01/17/2008	08/15/2012	2,500,000.00	2,585,000.00	2,522,950.00	19,326.38	(62,050.00)	
Goldman Sachs Corp. Note	11/08/2007	11/01/2012	3,000,000.00	3,024,900.00	3,092,550.00	68,124.99	67,650.00	
Morgan Stanley Corp. Note	11/02/2007	11/02/2012	2,000,000.00	1,991,400.00	2,036,480.00	43,458.32	45,080.00	
	Percent maturing in 2012		15.46%	<u>10,500,000.00</u>	<u>10,682,900.00</u>	<u>10,735,290.00</u>	<u>181,059.67</u>	<u>52,390.00</u>
2013:								
Federal National Mortgage Association	04/15/2008	04/15/2013	5,000,000.00	5,000,000.00	5,275,850.00	92,222.20	275,850.00	
Federal National Mortgage Association	04/18/2008	04/18/2013	2,000,000.00	2,000,000.00	2,112,440.00	36,675.00	112,440.00	
	Percent maturing in 2013		10.13%	<u>7,000,000.00</u>	<u>7,000,000.00</u>	<u>7,388,290.00</u>	<u>128,897.20</u>	<u>388,290.00</u>
2014:								
* Federal Home Loan Bank	04/21/2011	01/21/2014	1,000,000.00	1,000,000.00	1,000,510.00	5,555.55	510.00	
* Federal Farm Credit Bank	05/02/2011	05/02/2014	2,000,000.00	2,000,000.00	2,010,180.00	11,092.22	10,180.00	
* Federal Farm Credit Bank	06/15/2011	12/15/2014	2,000,000.00	2,000,000.00	2,003,125.00	8,067.76	3,125.00	
	Percent maturing in 2014		7.24%	<u>5,000,000.00</u>	<u>5,000,000.00</u>	<u>5,013,815.00</u>	<u>24,715.53</u>	<u>13,815.00</u>
2015:								
* Federal Home Loan Mortgage Corporation	08/24/2011	02/24/2015	2,000,000.00	2,000,000.00	2,000,640.00	2,466.66	640.00	
	Percent maturing in 2015		2.89%	<u>2,000,000.00</u>	<u>2,000,000.00</u>	<u>2,000,640.00</u>	<u>2,466.66</u>	<u>640.00</u>
Sub-total			61,870,274.81	62,053,174.81	64,508,309.81	337,139.06	454,495.00	
<u>DEFAULTED SECURITIES</u>								
Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012	2,500,000.00	2,509,000.00	590,625.00	-	(1,918,375.00)	
Lehman Bros. Hldg. Corp. Note	01/25/2008	01/24/2013	2,500,000.00	2,540,700.00	600,000.00	-	(1,940,700.00)	
			7.31%	<u>5,000,000.00</u>	<u>5,049,700.00</u>	<u>1,190,625.00</u>	<u>-</u>	<u>(3,859,075.00)</u>
Total outstanding investments			100.00%	<u>\$ 68,870,274.81</u>	<u>69,102,874.81</u>	<u>65,698,934.81</u>	<u>337,139.06</u>	<u>(3,403,940.00)</u>

* Callable

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

CITY OF COSTA MESA
SUMMARY OF CASH HELD IN TRUST
AS OF SEPTEMBER 30, 2011

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

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

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Bond Fund	U.S. Govt. Obligation Fund	Federated U.S. Treasury Cash Reserves	Open	\$ 1,251,000.00	1,251,000.00	1,251,000.00	-
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>\$ 2,563,501.47</u>	<u>2,563,501.47</u>	<u>2,563,501.47</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	\$ 1,097,218.75	1,097,218.75	1,097,218.75	-
Reserve Fund	U.S. Govt. Obligation Fund	Wells Fargo Treasury Plus Money Market	Open	1,273,250.35	1,273,250.35	1,273,250.35	0.010
Ending Balances				<u>\$ 2,370,469.10</u>	<u>2,370,469.10</u>	<u>2,370,469.10</u>	

Costa Mesa PFA Revenue Refunding Bonds Series 2006A

Trustee: U. S. Bank Corporate Trust Services

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Escrow Acct/Capital Improvement	Treasury Obligations Fund	First American Funds	Open	\$ -	-	-	-
Capital Improvement Fund	Treasury Obligations Fund	First American Funds	Open	159,857.29	159,857.29	159,857.29	-
Local Obligation	Note Secured by Real Estate	City of Costa Mesa	08/01/2021	2,050,000.00	2,050,000.00	2,050,000.00	8.30
Revenue Fund	Treasury Obligations Fund	First American Funds	Open	53,964.56	53,964.56	53,964.56	-
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>\$ 2,535,778.96</u>	<u>2,535,778.96</u>	<u>2,535,778.96</u>	

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

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

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Lease Payment Fund	U.S. Govt. Obligation Fund	Wells Fargo Treasury Plus Money Market	Open	1,755,201.88	1,755,201.88	1,755,201.88	-
Reserve Fund	U.S. Govt. Obligation Fund	Wells Fargo Treasury Plus Money Market	Open	2,297,204.39	2,297,204.39	2,297,204.39	-
Project Fund	U.S. Govt. Obligation Fund	Wells Fargo Treasury Plus Money Market	Open	-	-	-	-
Ending Balances				<u>\$ 4,052,406.27</u>	<u>4,052,406.27</u>	<u>4,052,406.27</u>	

City of Costa Mesa Workers Compensation Account

Trustee: Corvel Enterprise Company, Inc.

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

800 MHz Quarterly Reserve Fund

Trustee: Orange County Investment Pool

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Reserve Fund	Money Market Fund	Orange County Investment Pool	Open	\$ 7,978.99	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	\$ 36,725.58	36,725.58	36,725.58	(1)
Ending Balances				<u>\$ 36,725.58</u>	<u>36,725.58</u>	<u>36,725.58</u>	

GRAND TOTALS

\$ 11,814,375.78 ## \$ 11,814,375.78 \$ 11,814,375.78

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 SEPTEMBER 30, 2011**

<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	0.378 %	0.378 %	\$ 39,370,274.81
WELLS FARGO TREASURY PLUS INST'L MONEY MARKET FUND				1	- %	- %	-
HSBC Corp. Note	12/11/2007	06/19/2012		263	5.900 %	5.216 %	3,081,600.00
Merrill Lynch Corp. Note	01/17/2008	08/15/2012		320	6.050 %	5.204 %	2,585,000.00
Goldman Sachs Corp. Note	11/08/2007	11/01/2012		398	5.450 %	5.257 %	3,024,900.00
Morgan Stanley Corp. Note	11/02/2007	11/02/2012		399	5.250 %	5.349 %	1,991,400.00
FNMA	04/15/2008	04/15/2013	07/15/2008	563	4.000 %	4.000 %	5,000,000.00
FNMA	04/18/2008	04/18/2013	07/18/2008	566	4.050 %	4.050 %	2,000,000.00
FHLB	04/21/2011	01/21/2014	10/21/2011	844	1.250 %	1.250 %	1,000,000.00
FFCB	05/02/2011	05/02/2014	05/02/2012	945	1.340 %	1.340 %	2,000,000.00
FFCB	06/15/2011	12/15/2014	12/15/2011	1,172	1.370 %	1.370 %	2,000,000.00
FHLMC	08/24/2011	02/24/2015	02/24/2012	1,243	1.200 %	1.200 %	2,000,000.00
Total outstanding investments							<u>\$ 64,053,174.81</u>

WEIGHTED AVERAGE:

INTEREST RATE OF PORTFOLIO	1.767%
YIELD TO MATURITY OF PORTFOLIO	1.694%
MATURITY OF PORTFOLIO	236 DAYS
MATURITY OF PORTFOLIO LESS POOLS	612 DAYS

DEFAULTED SECURITIES

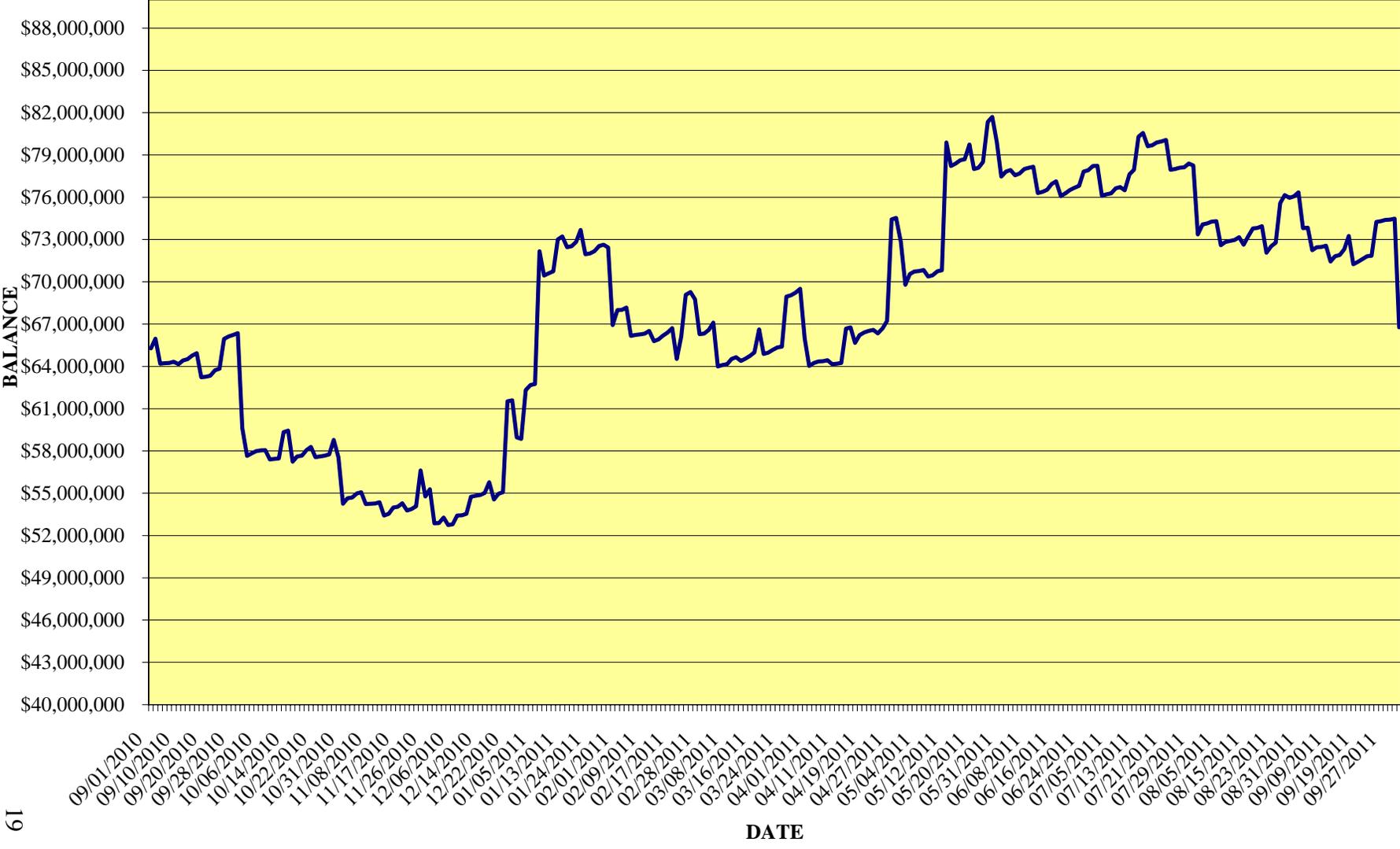
*Lehman Bros. Hldg. Corp. Note	01/23/2008	02/06/2012		129	5.250 %	5.149 %	2,509,000.00
*Lehman Bros. Corp. Note	01/25/2008	01/24/2013		482	5.625 %	5.250 %	2,540,700.00
							<u>\$ 5,049,700.00</u>

*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.

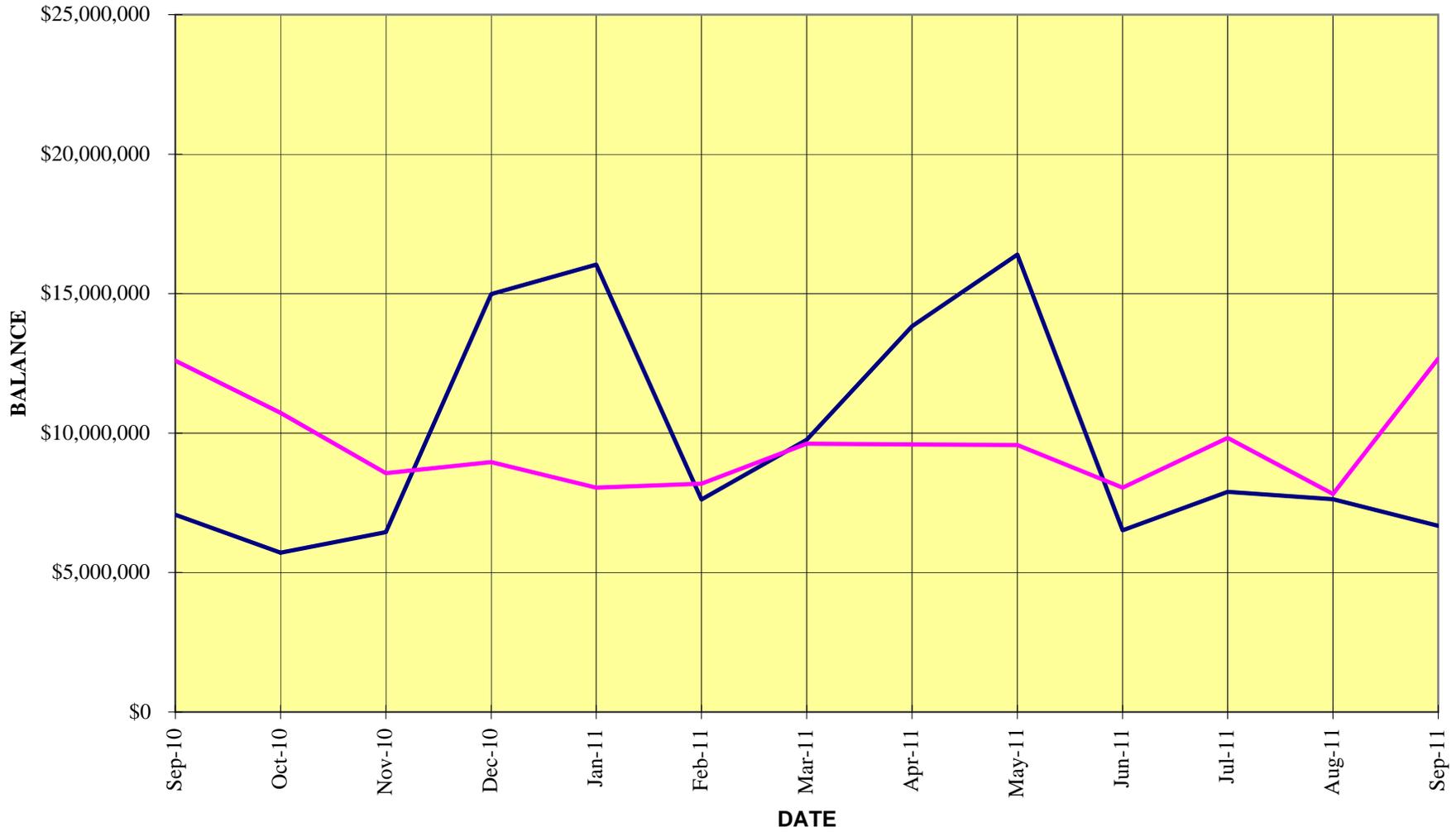
**CITY OF COSTA MESA
CALL SCHEDULE
AS OF SEPTEMBER 30, 2011**

<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	FHLB	04/21/2011	01/21/2014	1.250%	1.250%	1.250%	10/21/2011	\$ 1,000,000.00
DE LA ROSA	FFCB	06/15/2011	12/15/2014	1.370%	1.370%	1.370%	12/15/2011	2,000,000.00
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
							TOTAL	<u>\$ 7,000,000.00</u>

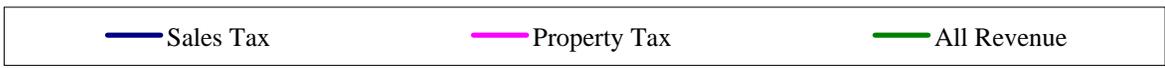
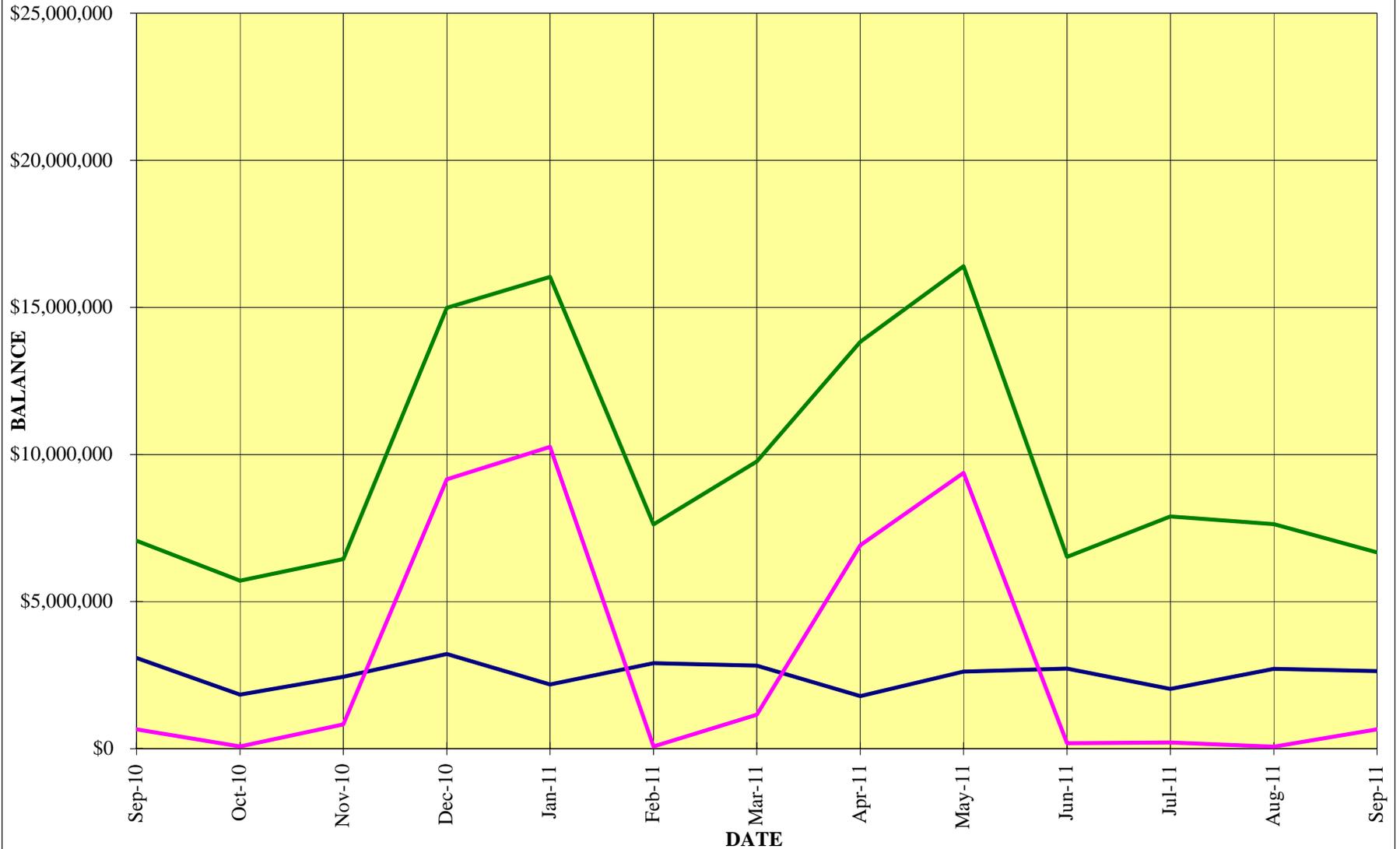
**CITY OF COSTA MESA DAILY CASH BALANCES
AS OF SEPTEMBER 30, 2011**



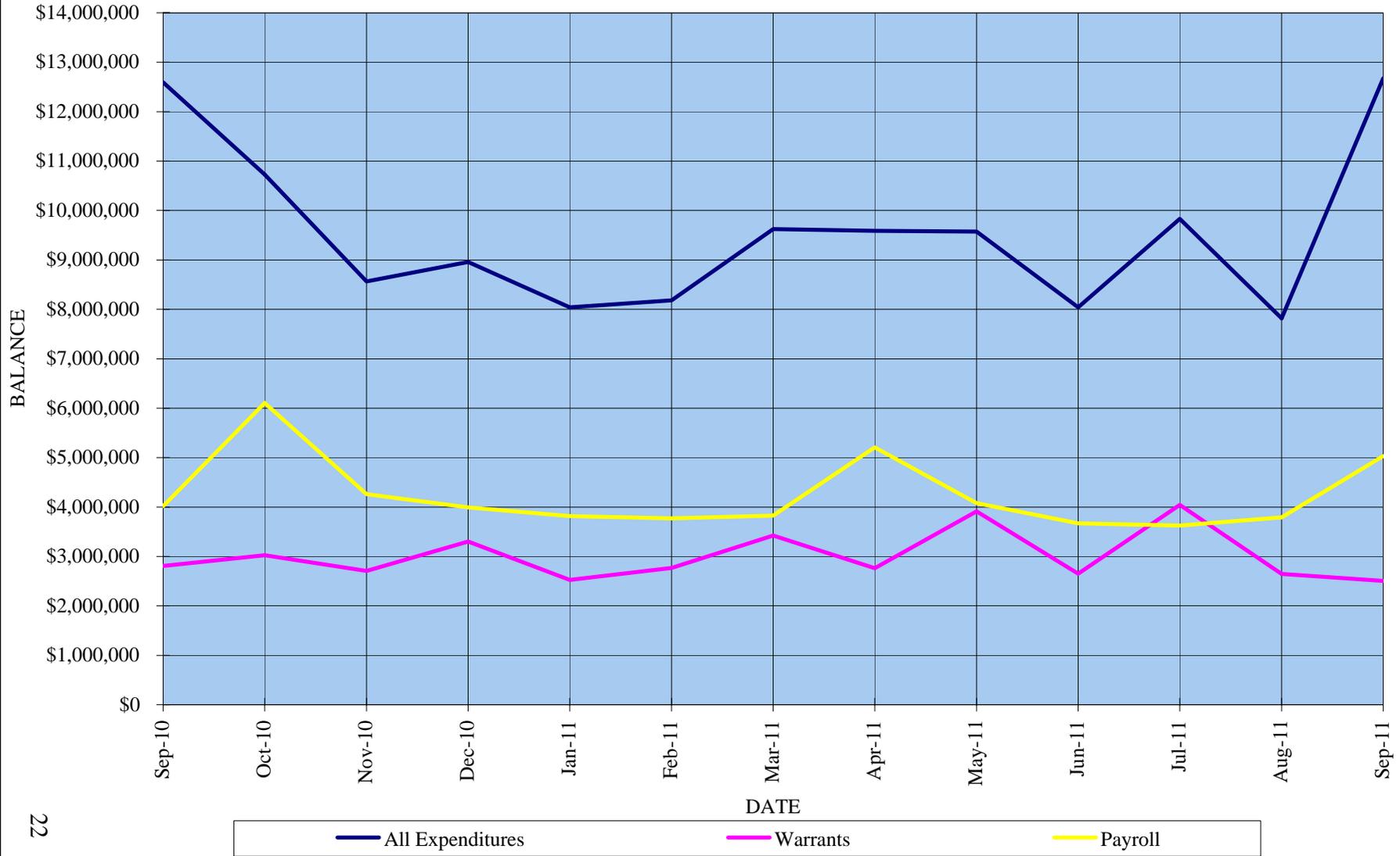
**CITY OF COSTA MESA CASH FLOWS BY MONTH
AS OF SEPTEMBER 30, 2011**



**CITY OF COSTA MESA REVENUE CHART
AS OF SEPTEMBER 30, 2011**



**CITY OF COSTA MESA EXPENDITURE CHART
AS OF SEPTEMBER 30, 2011**



**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)	-	(2.9 million)	6,756,802.49
November	9.6 million (1)	-	(1.7 million)	5,391,178.97
December	15.8 million (1)	-	6.2 million	12,351,481.85
January - 2012	23.8 million (2)	-	8.0 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 September 2011 General Fund cash balance of \$14.6 million is consistent with the amount originally projected. Staff's analysis concludes that cash receipts for September were approximately \$700,000 less than originally anticipated. A large portion of this was due to the quarterly Sales Tax clean up payment being less than anticipated. Regular monthly Sales Tax revenue was consistent with budgeted amounts. Since actual revenue in prior months was higher than originally anticipated, this decrease does not effect the overall cash flow projection. However, staff is continually evaluating Sales Tax revenue since it makes up approximately 40% of the cities total revenue.

Otherwise, payments made to vendors, debt service payments, and payroll charges were consistent with original projections.