

TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: OCTOBER 26, 2009 CMR: 411:09

REPORT TYPE: INFORMATION

SUBJECT: City of Palo Alto's Investment Activity Report for the First Quarter, Fiscal Year 2010

BACKGROUND

The purpose of this report is to inform Council of the City's investment portfolio status as of the end of the first quarter of Fiscal Year 2009. The City's investment policy requires that staff report quarterly to Council on the City's portfolio composition compared to Council-adopted policy, portfolio performance, and other key investment and cash flow information.

DISCUSSION

Investment Portfolio as of September 30, 2009

The City's investment portfolio is detailed in Attachment B. It is grouped by investment type and includes the investment issuer, date of maturity, current market value, the book and face (par) value, and the weighted average maturity of each type of investment and of the entire portfolio.

The par value of the City's portfolio is \$327.5 million; in comparison, last quarter it was \$327.2 million. The mild growth in the portfolio of \$0.3 million since the last quarter reflects the impact of weak tax revenues (e.g. sales, documentary transfer). In addition, one quarter of City sales tax receipts ("triple flip") and in-lieu vehicle license fee tax payments are received in January and May 2009 instead of on a monthly basis. The portfolio consists of \$33.4 million in liquid accounts and \$294.1 million in U. S. government treasury investments, agency securities, and certificates of deposit. The \$294.1 million includes \$92.5 million in investments maturing in less than two years, comprising 31.5 percent of the City's investment in notes and securities. The investment policy requires that at least \$50 million be maintained in securities maturing in less than two years.

The current market value of the portfolio is 104.3 percent of the book value. The market value of securities fluctuates depending on how interest rates perform. The value of the securities in the portfolio increase when interest rates decrease. Since the City's practice is to hold investments until

they mature, changes in market price do not affect the City's investment principal. The market valuation is provided by Union Bank of California, which is the City's safekeeping agent. The average life to maturity of the investment portfolio is 3.33 years compared to 3.45 years last quarter.

Investments Made During the First Quarter

During the first quarter, \$29.6 million of government agency securities with an average yield of 4.1% percent matured. During the same period, government securities totaling \$13.0 million with an average yield of 2.9% percent were purchased. These recent, abysmal interest rates will push the portfolio's yield downward in coming quarters. The City's short-term money market and pool account increased by \$16.9 million compared to the fourth quarter. Investment staff continually monitors the City's short-term cash flow needs and adjusts liquid funds to meet those needs.

Availability of Funds for the Next Six Months

Normally, the flow of revenues from the City's utility billings and General Fund sources is sufficient to provide funds for ongoing expenditures in those respective funds. Projections indicate receipts will be \$199.4 million and expenditures will be \$197.4 million over the next six months, indicating an overall growth in the portfolio of \$2.0 million.

As of September 30, 2009, the City had \$33.4 million deposited in the Local Agency Investment Fund (LAIF) and a money market account that could be withdrawn on a daily basis. In addition, investments totaling \$18.2 million will mature between October 1, 2009 and March 31, 2010. On the basis of the above projections, staff is confident that the City will have more than sufficient funds or liquidity to meet expenditure requirements for the next six months.

Compliance with City Investment Policy

During the first quarter, staff complied with all aspects of the investment policy. Attachment C lists the restrictions in the City's investment policy compared with the portfolio's actual performance.

Investment Yields

Interest income on an accrual basis for the first quarter was \$3.4 million. As of September 30, 2009, the yield to maturity of the City's portfolio was 3.96 percent. This compares to a yield of 4.21 percent in the fourth quarter of 2009. The City's portfolio yield is expected to decrease in future quarters as staff re-invests maturing securities at lower interest rates. The City's portfolio yield of 3.96 percent compares to LAIF's average yield for the quarter of 0.90 percent and an average yield on the two-year and five-year Treasury bonds during the first quarter of approximately 1.01 percent and 2.45 percent, respectively.

Yield Trends

In the last three quarters, the Federal Open Market Committee (FOMC) maintained the historical low federal funds and discount rate at 0.25 and 0.50 percent, respectively. The lower rates and purchase of federal agency mortgage-backed securities and debt are designed to support financial markets, business investment, consumer spending, and credit availability. The FOMC continues to believe that lower rates are necessary for an extended period to stimulate the economy. The FOMC's current monetary policy will result in declining City interest income in the near future.

Funds Held by the City or Managed Under Contract

Attachment A is a consolidated report of all City investment funds, including those not held directly in the investment portfolio. These include cash in the City's regular bank account with Wells Fargo. The bond proceeds, reserves, and debt service payments being held by the City's fiscal agents are subject to the requirements of the underlying debt indenture. The trustees for the bond funds are U.S. Bank and California Asset Management Program (CAMP). Bond funds with U.S. Bank are invested in federal agency and money market mutual funds that consist exclusively of U.S. Treasury securities. Bond funds in CAMP are invested in banker's acceptance notes, certificates of deposit, commercial paper, federal agency securities, and repurchase agreements. The most recent data on funds held by the fiscal agent is as of September 30, 2009.

FISCAL IMPACT

This is an information report with no fiscal impact resulting.

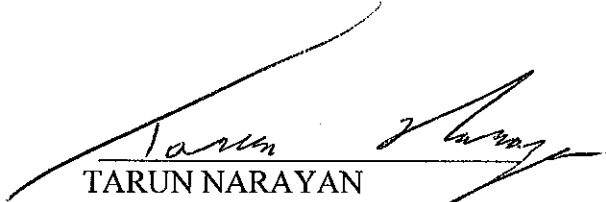
ENVIRONMENTAL REVIEW

This report does not constitute a project under section 21065 of the California Environmental Quality Act.

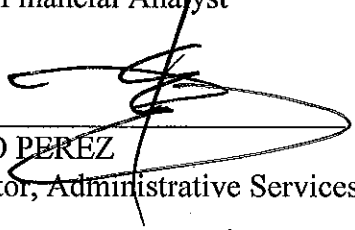
ATTACHMENTS

- A) Consolidated Report of Cash and Investments
- B) Investment Portfolio, as of September 30, 2009
- C) Investment Policy Compliance


PREPARED BY:


TARUN NARAYAN
Senior Financial Analyst

DEPARTMENT HEAD APPROVAL:


LALO PEREZ
Director, Administrative Services

CITY MANAGER APPROVAL:


JAMES KEENE
City Manager

Consolidated Report
City of Palo Alto Cash and Investments
First Quarter, Fiscal Year 2008-09
(Unaudited)

	<u>Book Value</u>	<u>Market Value</u>
<u>City Investment Portfolio</u> (see Attachment B)	\$ 328,873,548	\$ 343,223,288
<u>Other Funds Held by the City</u>		
Cash with Wells Fargo Bank (includes general and imprest accounts)	1,035,202	1,035,202
Investment with CAMP (University Ave. Parking Garages)	591,863	591,863
Petty/Working Cash	3,100	3,100
Total - Other Funds Held By City	<u>1,630,165</u>	<u>1,630,165</u>
<u>Funds Under Management of Third Party Trustees *</u> (Debt Service Proceeds)		
<u>US Bank Trust Services **</u>		
1995 Utility Revenue Bonds Debt Service Fund	13	13
1998 Golf Course Certificates of Participation Debt Service Lease Payment Funds	17	17
2002 Civic Center Certificates of Participation Reserve Fund	350,000	350,000
2002 Downtown Parking Impvt. Certificates of Participation Reserve Fund	237,950	237,950
Escrow Account for Partial Defeasance of Bonds	820,391	820,391
2002 Utility Revenue Bonds Debt Service Fund	153,165	153,165
<u>California Asset Management Program (CAMP) ***</u>		
1998 Golf Course Certificates of Participation Reserve Fund	789,121	789,121
2001 University Ave. Parking Bonds Reserve Funds	638,372	638,372
2002 University Ave. Parking Bonds Reserve and Admin. Funds	3,292,580	3,292,580
2002 Utility Revenue Bonds Reserve Funds	1,964,630	1,964,630
Total Under Trustee Management	<u>8,246,239</u>	<u>8,246,239</u>
GRAND TOTAL	<u>\$ 338,749,952</u>	<u>\$ 353,099,692</u>

* These funds are subject to the requirements of the underlying debt indenture.

** U.S. Bank investments are in money market mutual funds that exclusively invest in U.S. Treasury securities.

*** CAMP investments are in money market mutual fund which invest in bankers acceptance, certificate of deposit, commercial paper, federal agency securities, and repurchase agreements.



ATTACHMENT B

City of Palo Alto
 Fund ALL - Portfolio Listings
 Investments by Fund
 September 30, 2009

City of Palo Alto
 Administration Svcs. Dept.
 250 Hamilton Ave., 4th Floor
 Palo Alto, CA 94301
 (650)329-2362

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity	
Certificates of Deposit - Bank												
9244804531	673	Certificate of Deposit	11/24/2006	173,730.87	173,730.87	173,730.87	4.020	3.970	4.025	09/24/2010	358	
9244804549	674	Certificate of Deposit	11/24/2006	166,880.94	166,880.94	166,880.94	4.020	4.069	4.126	09/24/2011	723	
		Subtotal and Average		340,611.81	340,611.81	340,611.81		4.019	4.075		536	
Managed Pool Accounts												
SYS158	158	Fidelity Investments	07/01/2008	128,568.33	128,568.33	128,568.33	0.030	0.029	0.030		1	
SYS159	159	Local Agency Investment Fund	07/01/2008	33,254,763.82	33,254,763.82	33,306,661.57	0.780	0.769	0.780		1	
		Subtotal and Average		33,383,332.15	33,383,332.15	33,435,229.90		0.766	0.777		1	
Federal Agency Issues - Coupon												
30769PAA0	645	Federal Agriculture Mortgage C	07/20/2006	1,988,731.89	2,000,000.00	2,134,200.00	5.500	5.465	5.541	07/15/2011	652	
307692AA1	628	Federal Agriculture Mortgage C	05/12/2006	3,973,499.76	4,000,000.00	4,153,960.00	4.875	5.389	5.464	01/14/2011	470	
307692AA1	630	Federal Agriculture Mortgage C	05/18/2006	1,987,055.67	2,000,000.00	2,076,980.00	4.875	5.375	5.450	01/14/2011	470	
307692AA1	631	Federal Agriculture Mortgage C	05/18/2006	3,973,668.53	4,000,000.00	4,153,960.00	4.875	5.385	5.460	01/14/2011	470	
307692AA1	696	Federal Agriculture Mortgage C	05/03/2007	2,000,000.00	2,000,000.00	2,076,980.00	4.875	4.806	4.872	01/14/2011	470	
31315PLR8	820	Federal Agricultural Mortgage	08/11/2009	2,000,000.00	2,000,000.00	2,050,220.00	3.250	3.205	3.250	08/11/2014	1,775	
31315PMD8	821	Federal Agricultural Mortgage	08/10/2009	2,000,000.00	2,000,000.00	2,024,380.00	2.100	2.071	2.100	08/10/2012	1,044	
31331TKF7	592	Federal Agricultural Mortgage	06/14/2005	1,499,622.44	1,500,000.00	1,558,125.00	4.180	4.147	4.205	11/05/2010	400	
31331SG56	593	Federal Farm Credit Bank	06/21/2005	2,000,000.00	2,000,000.00	2,054,380.00	4.200	4.142	4.200	06/21/2010	263	
31331VY91	653	Federal Farm Credit Bank	09/26/2006	2,025,338.69	2,000,000.00	2,219,380.00	5.280	4.827	4.894	08/16/2013	1,415	
31331V4E3	655	Federal Farm Credit Bank	10/12/2006	4,007,979.08	4,000,000.00	4,446,240.00	5.180	5.059	5.130	09/15/2014	1,810	
31331VWS1	657	Federal Farm Credit Bank	10/16/2006	2,041,198.35	2,039,000.00	2,265,838.75	5.200	5.100	5.171	04/17/2014	1,659	
31331S3H4	658	Federal Farm Credit Bank	10/16/2006	1,476,949.10	1,500,000.00	1,637,820.00	4.750	5.104	5.175	02/18/2014	1,601	
31331VY2	662	Federal Farm Credit Bank	11/16/2006	2,014,950.81	2,000,000.00	2,206,880.00	5.200	4.877	4.945	03/20/2013	1,266	
31331XSQ6	686	Federal Farm Credit Bank	03/15/2007	1,500,000.00	1,500,000.00	1,530,465.00	4.750	4.684	4.750	03/15/2010	165	
31331XSQ6	687	Federal Farm Credit Bank	03/15/2007	1,500,000.00	1,500,000.00	1,530,465.00	4.750	4.684	4.750	03/15/2010	165	
31331XSR4	690	Federal Farm Credit Bank	03/27/2007	2,000,000.00	2,000,000.00	2,194,380.00	4.875	4.807	4.874	03/14/2014	1,625	
31331XWU2	693	Federal Farm Credit Bank	04/25/2007	2,000,000.00	2,000,000.00	2,120,620.00	4.800	4.734	4.800	04/25/2011	571	
31331XA36	701	Federal Farm Credit Bank	05/25/2007	2,000,000.00	2,000,000.00	2,133,120.00	5.050	4.980	5.050	05/25/2011	601	
31331XU75	715	Federal Farm Credit Bank	08/20/2007	3,012,089.01	3,000,000.00	3,318,750.00	5.300	5.128	5.199	08/13/2014	1,777	
31331GKC2	773	Federal Farm Credit Bank	01/13/2009	1,500,000.00	1,500,000.00	1,500,945.00	4.000	3.945	4.000	01/13/2016	2,295	

Fund ALL - Portfolio Listings
Investments by Fund
September 30, 2009

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Issues - Coupon											
31331GLT4	788	Federal Farm Credit Bank	03/04/2009	1,000,000.00	1,000,000.00	1,020,000.00	3.750	3.698	3.749	01/29/2016	2,311
31331GTT6	796	Federal Farm Credit Bank	04/22/2009	1,000,000.00	1,000,000.00	986,560.00	4.000	3.945	4.000	04/22/2019	3,490
31331GUF4	797	Federal Farm Credit Bank	04/28/2009	1,500,000.00	1,500,000.00	1,500,000.00	3.000	2.958	3.000	04/28/2014	1,670
31331GUN7	799	Federal Farm Credit Bank	05/05/2009	1,500,000.00	1,500,000.00	1,500,000.00	3.600	3.550	3.600	05/05/2015	2,042
31331GUP2	800	Federal Farm Credit Bank	05/07/2009	1,000,000.00	1,000,000.00	978,750.00	4.125	4.068	4.125	05/07/2018	3,140
31331GVK2	804	Federal Farm Credit Bank	05/06/2009	1,500,000.00	1,500,000.00	1,504,215.00	2.450	2.416	2.450	05/06/2013	1,313
31331GUN7	809	Federal Farm Credit Bank	05/06/2009	1,000,000.00	1,000,000.00	1,000,000.00	3.600	3.550	3.599	05/05/2015	2,042
31331GL80	823	Federal Farm Credit Bank	08/21/2009	2,000,000.00	2,000,000.00	2,036,880.00	3.000	2.959	3.000	09/22/2014	1,817
31331GU31	825	Federal Farm Credit Bank	09/24/2009	2,000,000.00	2,000,000.00	1,997,500.00	1.800	1.775	1.800	09/24/2012	1,089
31331VK47	840	Federal Farm Credit - S & P	06/28/2006	2,000,000.00	2,000,000.00	2,083,120.00	5.500	5.426	5.501	07/28/2010	300
31331XBS0	659	Federal Farm Credit - S & P	10/25/2006	3,000,000.00	3,000,000.00	3,302,820.00	5.050	4.979	5.048	11/25/2013	1,516
31331XCY6	660	Federal Farm Credit - S & P	11/06/2006	2,000,000.00	2,000,000.00	2,201,880.00	5.050	4.980	5.050	05/06/2015	2,043
31331XGCO	665	Federal Farm Credit - S & P	12/07/2006	1,500,000.00	1,500,000.00	1,544,535.00	4.750	4.684	4.750	06/07/2010	249
31331XGX4	666	Federal Farm Credit - S & P	12/11/2006	2,000,000.00	2,000,000.00	2,153,760.00	4.625	4.561	4.625	06/11/2012	984
31331XJ06	668	Federal Farm Credit - S & P	12/27/2006	1,500,000.00	1,500,000.00	1,504,695.00	4.820	4.756	4.822	10/27/2009	26
31331XMQ2	675	Federal Farm Credit - S & P	01/26/2007	2,000,000.00	2,000,000.00	2,060,000.00	5.000	4.933	5.002	05/26/2010	237
31331XNE8	676	Federal Farm Credit - S & P	02/01/2007	2,000,000.00	2,000,000.00	2,113,120.00	5.050	4.980	5.050	02/01/2011	488
31331XPB2	677	Federal Farm Credit - S & P	02/07/2007	2,000,000.00	2,000,000.00	2,200,620.00	5.150	5.079	5.150	02/07/2013	1,225
31331XVH2	692	Federal Farm Credit - S & P	04/12/2007	2,000,000.00	2,000,000.00	2,164,380.00	4.875	4.808	4.875	04/12/2012	924
31331XZK1	697	Federal Farm Credit - S & P	05/22/2007	2,000,000.00	2,000,000.00	2,084,380.00	4.900	4.834	4.902	09/22/2010	356
31331XB27	702	Federal Farm Credit - S & P	06/05/2007	3,500,000.00	3,500,000.00	3,872,960.00	5.200	5.130	5.201	08/05/2013	1,404
31331XC26	703	Federal Farm Credit - S & P	06/05/2007	2,000,000.00	2,000,000.00	2,228,120.00	5.250	5.178	5.250	06/05/2014	1,708
31331XD74	705	Federal Farm Credit - S & P	06/12/2007	2,000,000.00	2,000,000.00	2,228,760.00	5.330	5.257	5.330	12/18/2013	1,539
31331XC26	707	Federal Farm Credit - S & P	06/08/2007	2,972,903.46	3,000,000.00	3,342,180.00	5.250	5.409	5.484	06/05/2014	1,708
31331XH39	708	Federal Farm Credit - S & P	06/28/2007	2,000,000.00	2,000,000.00	2,071,260.00	5.250	5.178	5.250	06/28/2010	270
31331XK35	709	Federal Farm Credit - S & P	07/05/2007	2,000,000.00	2,000,000.00	2,146,260.00	5.250	5.178	5.250	07/05/2011	642
31331XL42	711	Federal Farm Credit - S & P	07/16/2007	2,000,000.00	2,000,000.00	2,075,620.00	5.250	5.178	5.250	07/16/2010	288
31331X2J0	717	Federal Farm Credit - S & P	09/04/2007	2,000,000.00	2,000,000.00	2,177,500.00	4.930	4.862	4.930	09/04/2012	1,089
31331X2U5	719	Federal Farm Credit - S & P	09/06/2007	1,500,000.00	1,500,000.00	1,602,195.00	4.750	4.684	4.750	09/06/2011	705
31331X3H3	720	Federal Farm Credit - S & P	09/17/2007	1,500,000.00	1,500,000.00	1,644,375.00	5.000	4.931	5.000	09/17/2014	1,812
31331X5Y4	721	Federal Farm Credit - S & P	10/03/2007	1,500,000.00	1,500,000.00	1,655,160.00	5.000	4.931	5.000	10/03/2014	1,828
31331YER7	724	Federal Farm Credit - S & P	11/21/2007	2,000,000.00	2,000,000.00	2,128,120.00	4.350	4.290	4.350	11/21/2011	781

Fund ALL - Portfolio Listings
Investments by Fund
September 30, 2009

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Issues - Coupon											
31331YHQ6	725	Federal Farm Credit - S & P	12/12/2007	2,000,000.00	2,000,000.00	2,098,120.00	4.625	4.561	4.624	12/15/2017	2,997
31331YSV3	747	Federal Farm Credit - S & P	02/11/2008	1,500,000.00	1,500,000.00	1,566,090.00	3.850	3.797	3.850	02/11/2015	1,959
31331Y2U3	766	Federal Farm Credit - S & P	07/08/2008	2,000,000.00	2,000,000.00	2,063,760.00	4.625	4.561	4.625	07/08/2013	1,376
31331GLM9	779	Federal Farm Credit - S & P	01/27/2009	2,000,000.00	2,000,000.00	1,938,760.00	4.000	3.944	3.999	01/25/2019	3,403
31331GPG6	784	Federal Farm Credit - S & P	03/04/2009	2,000,000.00	2,000,000.00	2,028,760.00	4.500	4.438	4.500	03/04/2019	3,441
31331GPN3	785	Federal Farm Credit - S & P	03/04/2009	1,500,000.00	1,500,000.00	1,526,250.00	2.600	2.564	2.600	03/04/2013	1,250
31331YCY7	722	Federal Farm Credit Bank - Moo	10/30/2007	2,000,000.00	2,000,000.00	2,144,380.00	4.900	4.832	4.900	10/30/2017	2,951
31331VCO7	742	Fed. Farm Credit Bank	01/30/2008	2,082,480.29	2,000,000.00	2,163,760.00	4.800	3.945	4.000	10/19/2015	2,209
31331SKH5	744	Fed. Farm Credit Bank	01/30/2008	1,028,908.44	1,000,000.00	1,076,560.00	4.500	3.820	3.873	01/22/2015	1,939
3133MABK4	533	Federal Home Loan Bank	02/09/2004	1,203,499.57	1,200,000.00	1,208,628.00	6.500	3.649	3.700	11/13/2009	43
3133MCLA1	562	Federal Home Loan Bank	06/18/2004	1,527,397.40	1,500,000.00	1,600,320.00	6.625	4.654	4.718	11/15/2010	410
3133MATQ2	567	Federal Home Loan Bank	07/29/2004	1,514,109.96	1,500,000.00	1,538,445.00	7.375	4.370	4.431	02/12/2010	134
3133MYZ4	569	Federal Home Loan Bank	08/25/2004	1,991,916.11	2,000,000.00	2,037,500.00	3.375	4.056	4.113	05/14/2010	225
3133MRCM2	570	Federal Home Loan Bank	10/05/2004	1,004,952.33	1,000,000.00	1,036,880.00	4.750	4.044	4.100	08/13/2010	316
3133MWBW2	572	Federal Home Loan Bank	10/05/2004	1,499,455.47	1,500,000.00	1,519,695.00	3.875	3.931	3.986	02/12/2010	134
3133MATQ2	573	Federal Home Loan Bank	10/08/2004	2,021,666.75	2,000,000.00	2,051,260.00	7.375	3.978	4.033	02/12/2010	134
3133X06Q7	574	Federal Home Loan Bank	10/08/2004	1,500,092.22	1,500,000.00	1,546,875.00	4.125	4.067	4.123	08/13/2010	316
31339XMX9	582	Federal Home Loan Bank	01/20/2005	1,991,533.12	2,000,000.00	2,061,260.00	3.660	4.083	4.140	09/30/2010	364
3133MRCM2	584	Federal Home Loan Bank	01/27/2005	1,507,250.99	1,500,000.00	1,555,320.00	4.750	4.063	4.120	08/13/2010	316
3133X2BX2	585	Federal Home Loan Bank	01/27/2005	2,001,896.17	2,000,000.00	2,080,000.00	4.250	4.096	4.153	11/15/2010	410
3133X2BX2	586	Federal Home Loan Bank	03/01/2005	1,997,616.12	2,000,000.00	2,080,000.00	4.250	4.310	4.370	11/15/2010	410
3133XAU1	589	Federal Home Loan Bank	05/20/2005	1,998,881.23	2,000,000.00	2,026,880.00	4.000	4.112	4.170	02/12/2010	134
3133XAU1	590	Federal Home Loan Bank	05/27/2005	1,999,016.92	2,000,000.00	2,026,880.00	4.000	4.092	4.149	02/12/2010	134
3133MDBT9	595	Federal Home Loan Bank	07/11/2005	2,039,044.15	2,000,000.00	2,138,760.00	5.875	4.201	4.260	02/15/2011	502
3133XBTH8	596	Federal Home Loan Bank	07/11/2005	1,500,425.99	1,500,000.00	1,539,840.00	4.250	4.144	4.202	06/11/2010	253
3133XFJY3	642	Federal Home Loan Bank	07/07/2006	1,990,817.34	2,000,000.00	2,142,500.00	5.250	5.483	5.560	06/10/2011	617
3133XG3W2	644	Federal Home Loan Bank	07/11/2006	2,002,662.50	2,000,000.00	2,158,760.00	5.600	5.435	5.511	06/28/2011	635
3133XF5T9	648	Federal Home Loan Bank	09/12/2006	1,997,552.92	2,000,000.00	2,143,120.00	5.000	5.002	5.072	09/09/2011	708
3133X9ZZ6	649	Federal Home Loan Bank	09/12/2006	1,976,023.30	2,000,000.00	2,149,380.00	4.500	5.040	5.110	01/06/2012	827
313397K2	652	Federal Home Loan Bank	09/26/2006	2,005,150.43	2,000,000.00	2,201,880.00	5.000	4.850	4.918	07/16/2013	1,384
3133XHL5	654	Federal Home Loan Bank	10/12/2006	1,983,202.56	2,000,000.00	2,209,380.00	4.875	5.020	5.089	06/13/2014	1,716
3133XHW57	667	Federal Home Loan Bank	12/14/2006	2,000,000.00	2,000,000.00	2,205,000.00	4.875	4.806	4.873	12/13/2013	1,534

Fund ALL - Portfolio Listings
Investments by Fund
September 30, 2009

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Issues - Coupon											
3133XJUT3	685	Federal Home Loan Bank	02/23/2007	2,000,000.00	2,000,000.00	2,177,500.00	5.000	4.929	4.997	03/09/2012	890
3133XGJ96	699	Federal Home Loan Bank	05/16/2007	2,015,862.45	2,000,000.00	2,228,120.00	5.250	4.943	5.011	09/13/2013	1,443
3133XGJ96	706	Federal Home Loan Bank	06/08/2007	993,523.75	1,000,000.00	1,114,060.00	5.250	5.369	5.444	09/13/2013	1,443
3133XLDG5	710	Federal Home Loan Bank	06/28/2007	2,500,000.00	2,500,000.00	2,801,575.00	5.375	5.300	5.374	06/13/2014	1,716
3133XLDG5	713	Federal Home Loan Bank	08/20/2007	3,023,921.14	3,000,000.00	3,361,890.00	5.375	5.099	5.170	06/13/2014	1,716
3133XPBA1	730	Federal Home Loan Bank	01/25/2008	2,000,000.00	2,000,000.00	2,072,500.00	3.500	3.451	3.499	03/13/2015	1,989
3133XPBA1	741	Federal Home Loan Bank	01/30/2008	2,940,014.70	3,000,000.00	3,108,750.00	3.500	3.869	3.923	03/13/2015	1,989
3133XSP93	777	Federal Home Loan Bank	01/16/2009	3,066,441.52	3,000,000.00	3,081,890.00	3.125	2.794	2.833	12/13/2013	1,534
3133XSWJ3	778 Callable	Federal Home Loan Bank	02/13/2009	2,000,000.00	2,000,000.00	1,976,880.00	4.250	4.191	4.250	02/13/2019	3,422
3133XTC53	789	Federal Home Loan Bank	03/16/2009	2,000,000.00	2,000,000.00	2,050,620.00	3.000	2.958	2.999	03/13/2014	1,624
3133XTFQ4	793	Federal Home Loan Bank	04/01/2009	3,000,000.00	3,000,000.00	3,060,930.00	2.900	2.860	2.900	04/01/2014	1,643
3133XTNL6	815 Callable	Federal Home Loan Bank	05/20/2009	1,000,000.00	1,000,000.00	989,380.00	4.250	4.191	4.250	05/20/2019	3,518
3133XTQH2	817	Federal Home Loan Bank	05/22/2009	1,500,000.00	1,500,000.00	1,513,590.00	1.800	1.775	1.800	05/22/2012	964
3133XTYD2	818	Federal Home Loan Bank	06/16/2009	2,000,000.00	2,000,000.00	2,117,500.00	4.000	3.945	4.000	06/16/2015	2,084
3133XUCX9	819	Federal Home Loan Bank	07/20/2009	2,000,000.00	2,000,000.00	2,016,260.00	1.875	2.210	2.240	07/23/2012	1,026
3133XUMS9	822	Federal Home Loan Bank	08/12/2009	3,000,000.00	3,000,000.00	3,085,640.00	4.500	4.437	4.499	09/13/2019	3,634
3133XHXW7	863	Federal Home Loan Bank - S & P	11/27/2006	2,000,000.00	2,000,000.00	2,205,000.00	4.875	4.808	4.875	11/27/2013	1,518
3133XP3Y8	726 Callable	Federal Home Loan Bank - S & P	01/22/2008	2,000,000.00	2,000,000.00	2,022,500.00	4.200	4.142	4.200	01/22/2015	1,939
3133XP4Q4	729 Callable	Federal Home Loan Bank - S & P	01/24/2008	1,000,000.00	1,000,000.00	1,021,560.00	4.500	4.438	4.500	01/24/2018	3,037
3133XPFK5	736 Callable	Federal Home Loan Bank - S & P	02/12/2008	1,500,000.00	1,500,000.00	1,518,750.00	4.250	4.191	4.250	02/12/2015	1,960
3133XPFRO	737 Callable	Federal Home Loan Bank - S & P	02/22/2008	1,500,000.00	1,500,000.00	1,513,590.00	4.800	4.734	4.800	02/22/2018	3,066
3133XPLY8	749 Callable	Federal Home Loan Bank - S & P	02/22/2008	2,000,000.00	2,000,000.00	2,018,120.00	4.800	4.734	4.800	02/22/2018	3,066
3133XPTJ3	751 Callable	Federal Home Loan Bank - S & P	02/28/2008	1,500,000.00	1,500,000.00	1,544,070.00	4.500	4.421	4.482	02/28/2018	3,072
3133XSN08	770 Callable	Federal Home Loan Bank - S & P	12/16/2008	1,000,000.00	1,000,000.00	1,037,190.00	4.250	4.191	4.250	12/16/2013	1,537
3133XSTR9	774 Callable	Federal Home Loan Bank - S & P	01/28/2009	1,500,000.00	1,500,000.00	1,500,465.00	4.100	4.043	4.100	01/28/2016	2,310
3133XSZ50	781	Federal Home Loan Bank - S & P	02/06/2009	2,000,000.00	2,000,000.00	2,040,620.00	2.100	2.071	2.100	02/06/2012	858
3133XTTG5	787 Callable	Federal Home Loan Bank - S & P	03/25/2009	1,500,000.00	1,500,000.00	1,500,465.00	3.900	3.846	3.900	09/25/2015	2,185
3133XTFD3	792	Federal Home Loan Bank - S & P	03/27/2009	2,000,000.00	2,000,000.00	2,036,880.00	2.850	2.810	2.850	03/27/2014	1,638
3133XTHE9	794	Federal Home Loan Bank - S & P	04/13/2009	2,000,000.00	2,000,000.00	2,024,380.00	2.000	1.972	2.000	07/13/2012	1,016
3133XTXK3	801 Callable	Federal Home Loan Bank - S & P	05/13/2009	1,500,000.00	1,500,000.00	1,475,160.00	4.125	4.068	4.125	05/13/2019	3,511
3133XTMG8	802 Callable	Federal Home Loan Bank - S & P	05/21/2009	500,000.00	500,000.00	500,155.00	2.050	2.021	2.050	05/21/2012	963
3133XTN44	810 Callable	Federal Home Loan Bank - S & P	05/13/2009	1,000,000.00	1,000,000.00	990,630.00	4.300	4.241	4.300	05/13/2019	3,511

Fund ALL - Portfolio Listings
Investments by Fund
September 30, 2009

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Issues - Coupon											
3133XTP26	812	Federal Home Loan Bank - S & P	05/20/2009	1,500,000.00	1,500,000.00	1,506,090.00	4.080	4.024	4.080	05/20/2019	3,518
3133XTPF7	813	Federal Home Loan Bank - S & P	06/01/2009	1,500,000.00	1,500,000.00	1,495,320.00	3.750	3.698	3.750	06/01/2016	2,435
3134A35H5	563	Fed. Home Loan Mortgage Corp.	06/18/2004	1,527,120.66	1,500,000.00	1,590,465.00	6.875	4.606	4.670	09/15/2010	349
3128X06K0	571	Fed. Home Loan Mortgage Corp.	10/05/2004	2,001,996.69	2,000,000.00	2,045,340.00	4.250	4.004	4.060	05/05/2010	216
3128X06K0	576	Fed. Home Loan Mortgage Corp.	11/09/2004	1,501,823.26	1,500,000.00	1,534,005.00	4.250	3.964	4.020	05/05/2010	216
3128X3M34	579	Fed. Home Loan Mortgage Corp.	11/19/2004	1,000,000.00	1,000,000.00	1,041,350.00	4.400	4.339	4.400	11/19/2010	414
31334A33L8	587	Fed. Home Loan Mortgage Corp.	03/10/2005	2,021,388.14	2,000,000.00	2,061,260.00	7.000	4.301	4.360	03/15/2010	165
3134A4VB7	594	Fed. Home Loan Mortgage Corp.	07/11/2005	1,499,473.42	1,500,000.00	1,543,590.00	4.125	4.117	4.174	07/12/2010	284
3128X1KG1	679	Fed. Home Loan Mortgage Corp.	02/07/2007	1,449,296.76	1,500,000.00	1,602,195.00	4.000	5.010	5.080	06/12/2013	1,350
3128X1KG1	682	Fed. Home Loan Mortgage Corp.	02/15/2007	1,934,776.91	2,000,000.00	2,136,260.00	4.000	4.970	5.040	06/12/2013	1,350
3134A4UM4	714	Fed. Home Loan Mortgage Corp.	08/20/2007	1,956,285.71	2,000,000.00	2,174,380.00	4.500	5.033	5.103	01/15/2014	1,567
3128X8MY5	766	Fed. Home Loan Mortgage Corp.	03/03/2009	1,000,000.00	1,000,000.00	1,006,500.00	3.250	3.205	3.250	03/03/2014	1,614
3128X8WF5	795	Fed. Home Loan Mortgage Corp.	04/21/2009	1,500,000.00	1,500,000.00	1,503,015.00	3.000	2.958	3.000	04/21/2014	1,663
3128X8E81	806	Fed. Home Loan Mortgage Corp.	05/28/2009	1,500,000.00	1,504,395.00	1,504,395.00	3.200	3.156	3.200	05/28/2014	1,700
3128X8E73	808	Fed. Home Loan Mortgage Corp.	05/19/2009	1,500,000.00	1,500,000.00	1,510,590.00	2.170	2.140	2.170	11/19/2012	1,145
3128X6N85	734	Fed. Home Ln Mtg. S&P & Fitch	01/31/2008	1,500,000.00	1,500,000.00	1,605,270.00	4.300	4.241	4.300	01/31/2015	1,948
3128X7ED2	757	Fed. Home Ln. Mtg. Corp-S&P	04/01/2008	1,500,000.00	1,500,000.00	1,523,115.00	3.500	3.452	3.500	04/01/2013	1,278
3128X8C83	803	Fed. Home Ln. Mtg. Corp-S&P	05/28/2009	1,500,000.00	1,500,000.00	1,500,225.00	3.150	3.106	3.150	05/28/2014	1,700
31359MFG3	554	Federal National Mortgage Asso	04/20/2004	1,512,583.32	1,500,000.00	1,530,945.00	7.250	3.917	3.972	01/15/2010	106
31359MFS7	575	Federal National Mortgage Asso	11/09/2004	2,038,883.67	2,000,000.00	2,095,000.00	7.125	3.964	4.019	06/15/2010	257
31359MFS7	583	Federal National Mortgage Asso	01/20/2005	1,019,182.55	1,000,000.00	1,047,500.00	7.125	4.012	4.067	06/15/2010	257
3136F3TQ9	591	Federal National Mortgage Asso	06/14/2005	1,995,123.81	2,000,000.00	2,043,120.00	3.750	4.108	4.165	05/27/2010	238
31364FBV2	678	Federal National Mortgage Asso	02/07/2007	2,073,612.43	2,000,000.00	2,262,660.00	6.470	4.967	5.036	09/25/2012	1,090
31364KSS0	683	Federal National Mortgage Asso	02/15/2007	1,387,151.40	1,500,000.00	1,509,375.00	2.000	4.956	5.025	08/17/2012	1,051
31368ANT5	776	Federal National Mortgage Asso	01/16/2009	3,185,677.90	3,000,000.00	3,221,250.00	4.250	2.298	2.330	02/25/2013	1,243
3136FHGA7	790	Federal National Mortgage Asso	03/23/2009	1,000,000.00	1,000,000.00	1,015,630.00	3.250	3.206	3.250	12/23/2014	1,909
31398AXB3	798	Federal National Mortgage Asso	05/05/2009	1,500,000.00	1,500,000.00	1,491,570.00	2.800	2.761	2.800	05/05/2014	1,677
3136FHXP7	805	Federal National Mortgage Asso	05/14/2009	1,500,000.00	1,500,000.00	1,496,715.00	2.125	2.095	2.125	05/14/2014	1,686
3136FHRE7	807	Federal National Mortgage Asso	05/20/2009	1,500,000.00	1,500,000.00	1,505,160.00	2.250	2.219	2.250	11/20/2012	1,146
3136FHTB1	811	Federal National Mortgage Asso	05/28/2009	1,500,000.00	1,500,000.00	1,492,965.00	4.500	4.438	4.500	05/28/2019	3,526
3136F8M77	731	Fed. Nat. Mortg. Assoc.-S&P	02/07/2008	2,000,000.00	2,000,000.00	2,013,760.00	4.125	4.068	4.125	02/07/2018	3,051
31398APN6	761	Fed. Nat. Mortg. Assoc.-S&P	04/08/2008	1,000,000.00	1,000,000.00	1,067,190.00	4.000	3.945	4.000	04/08/2013	1,285

Fund ALL - Portfolio Listings
Investments by Fund
September 30, 2009

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Federal Agency Issues - Coupon											
3136F9ES8	763 Callable	Fed. Nat. Mortg. Assoc.-S&P	04/02/2008	1,000,000.00	1,000,000.00	1,067,190.00	4.000	3.945	4.000	04/02/2013	1,279
3136FHVC6	814 Callable	Fed. Nat. Mortg. Assoc.-S&P	05/28/2009	1,000,000.00	1,000,000.00	984,690.00	4.100	4.043	4.100	05/28/2019	3,526
3136FHXF7	816 Callable	Fed. Nat. Mortg. Assoc.-S&P	06/10/2009	2,000,000.00	2,000,000.00	2,009,380.00	2.000	1.972	2.000	12/10/2012	1,166
313586UB3	743	Fed. National Mortgage Assoc.	01/30/2008	3,994,779.86	3,000,000.00	4,247,820.00	10.350	3.987	4.043	12/10/2015	2,261
880591DT6	643	Tennessee Valley Authority	07/07/2006	2,055,095.43	2,000,000.00	2,253,020.00	6.790	5.476	5.553	05/23/2012	965
880591CW0	656	Tennessee Valley Authority	10/16/2006	1,538,197.64	1,500,000.00	1,696,860.00	6.000	5.054	5.125	03/15/2013	1,261
880591CW0	661	Tennessee Valley Authority	11/16/2006	3,097,584.45	3,000,000.00	3,393,720.00	6.000	4.825	4.892	03/15/2013	1,261
880591DL3	684	Tennessee Valley Authority	02/15/2007	1,575,161.85	1,500,000.00	1,716,555.00	7.140	4.892	4.960	05/23/2012	965
880591DY5	716	Tennessee Valley Authority	08/20/2007	2,880,306.16	3,000,000.00	3,194,910.00	4.375	5.163	5.235	06/15/2015	2,083
		Subtotal and Average		293,134,714.65	291,739,000.00	307,329,786.75		4.267	4.327		1,354
Treasury Securities - Coupon											
912828HK9	789	U.S. Treasury	08/06/2008	2,014,889.82	2,000,000.00	2,117,660.00	3.375	3.078	3.120	11/30/2012	1,156
		Subtotal and Average		2,014,889.82	2,000,000.00	2,117,660.00		3.078	3.121		1,156
		Total Investments and Average		328,873,548.43	327,462,943.96	343,223,288.46		3.905	3.959		1,215

Investment Policy Compliance As of September 30, 2009

1	<p>General Investment Guidelines:</p> <p>a) The max. stated final maturity of individual securities in the portfolio should be 10 years.</p> <p>b) A max. of 30 percent of the par value of the portfolio shall be invested in securities with maturities beyond 5 years.</p> <p>c) The City shall maintain a minimum of one month's cash needs in short term investments.</p> <p>d) At least \$50 million shall be maintained in securities maturing in less than 2 years. Plus two managed pool accounts which provide instant liquidity: - Local Agency Investment Fund (LAIF) - maximum investment limit is \$40 million - Fidelity Investments</p> <p>e) Should market value of the portfolio fall below 95 percent of the book value, report this fact within a reasonable time to the City Council and evaluate if there are risk of holding securities to maturity.</p> <p>d) Commitments to purchase securities newly introduced on the market shall be made no more than three (3) working days before pricing.</p> <p>f) Whenever possible, the City will obtain three or more quotations on the purchase or sale of comparable securities (excludes new issues, LAIF, City of Palo Alto bonds, money market accounts, and mutual funds).</p>	<p>Full Compliance</p> <p style="text-align: right;">21.1%</p> <p>Full Compliance</p> <p style="text-align: right;">\$92.5 million</p> <p style="text-align: right;">\$33.3 million</p> <p style="text-align: right;">\$0.1 million</p> <p style="text-align: right;">104.3%</p> <p>Full Compliance</p> <p>Full Compliance</p>
2	<p>U.S. Government Securities:</p> <p>a) There is no limit on purchase of these securities.</p> <p>b) Securities will not exceed 10 years maturity.</p>	<p>Full Compliance</p>
3	<p>U.S. Government Agency Securities:</p> <p>a) There is no limit on purchase of these securities except for: Callable and Multi-step-up securities provided that: - The potential call dates are known at the time of purchase; - the interest rates at which they "step-up" are known at the time of purchase; and - the entire face value of the security is redeemed at the call date. - No more than 20 percent of the par value of portfolio.</p> <p>b) Securities will not exceed 10 years maturity.</p>	<p>Full Compliance</p> <p>Full Compliance</p> <p>Full Compliance</p> <p style="text-align: right;">19.4%</p>
4	<p>Certificates of Deposit:</p> <p>a) May not exceed 20 percent of the par value of the portfolio;</p> <p>b) No more than 10 percent of the par value of the portfolio in collateralized CDs in any institution.</p> <p>c) Purchase collateralized deposits only from federally insured large banks that are rated by a nationally recognized rating agency (e.g. Moody's, Standard & Poor's, etc.).</p> <p>d) For non-rated banks, deposit should be limited to amounts federally insured (FDIC)</p> <p>e) Rollovers are not permitted without specific instruction from authorized City staff.</p>	<p>Full Compliance</p> <p style="text-align: right;">0.1%</p>
5	<p>Banker's Acceptance Notes:</p> <p>a) No more than 30 percent of the par value of the portfolio.</p> <p>b) Not to exceed 180 days maturity.</p> <p>c) No more than \$5 million with any one institution.</p>	<p>None Held</p>
6	<p>Commercial Paper:</p> <p>a) No more than 15 percent of the par value of the portfolio.</p> <p>b) Having highest letter or numerical rating from a nationally recognized rating service.</p> <p>c) Not to exceed 270 days maturity.</p> <p>d) No more than \$3 million or 10 percent of the outstanding commercial paper of any one institution, whichever is lesser.</p>	<p>None Held</p>

Investment Policy Compliance As of September 30, 2009

7	<p>Short-Term Repurchase Agreement (REPO):</p> <p>a) Not to exceed 1 year.</p> <p>b) Market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities.</p>	None Held
8	<p>Money Market Deposit Accounts</p> <p>a) Liquid bank accounts which seek to maintain a net asset value of \$1.00.</p>	Full Compliance
9	<p>Mutual Funds:</p> <p>a) No more than 20 percent of the par value of the portfolio.</p> <p>b) No more than 10 percent of the par value with any one institution.</p>	None Held
10	<p>Negotiable Certificates of Deposit (NCD):</p> <p>a) No more than 10 percent of the par value of the portfolio.</p> <p>b) No more than \$5 million in any one institution.</p>	None Held
11	<p>Medium-Term Corporate Notes:</p> <p>a) No more than 10 percent of the par value of the portfolio.</p> <p>b) Not to exceed 5 years maturity.</p> <p>c) Securities eligible for investment shall have a minimum rating of AA from a nationally recognized rating service.</p> <p>d) No more than \$5 million of the par value may be invested in securities of any single issuer, other than the U.S. Government, its agencies and instrumentality.</p> <p>e) If securities owned by the City are downgraded by either rating agencies to a level below AA it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities.</p>	None Held
12	<p>Prohibited Investments:</p> <p>a) Reverse Repurchase Agreements</p> <p>b) Derivatives as defined in Appendix B of the Investment Policy</p>	Full Compliance None Held
13	<p>All securities shall be delivered to the City's safekeeping custodian, and held in the name of the City, with the exception of :</p> <p>- Certificates of Deposit, Mutual Funds, and LAIF</p>	Full Compliance