



City of Laguna Beach Investment Report



DECEMBER 31, 2011

**PREPARED BY:
LAURA PARISI, C.P.A., CCMT
CITY TREASURER**



City of Laguna Beach Investment Report December 2011

Honorable Mayor and Members of the City Council,

The requested monthly Investment Report follows. I verify that the investment portfolio is in conformity with California laws and the Treasurer's Investment Policy which is approved annually by the City Council. The Treasurer's cash management program provides sufficient liquidity to meet expenditure requirements for the next six months.

Respectfully submitted,

**Laura Parisi, C.P.A., CCMT
City Treasurer**

City of Laguna Beach

Cash and investments were \$62,821, 885 at December 31, 2011. The balance is \$6,646,969 higher than the prior year.

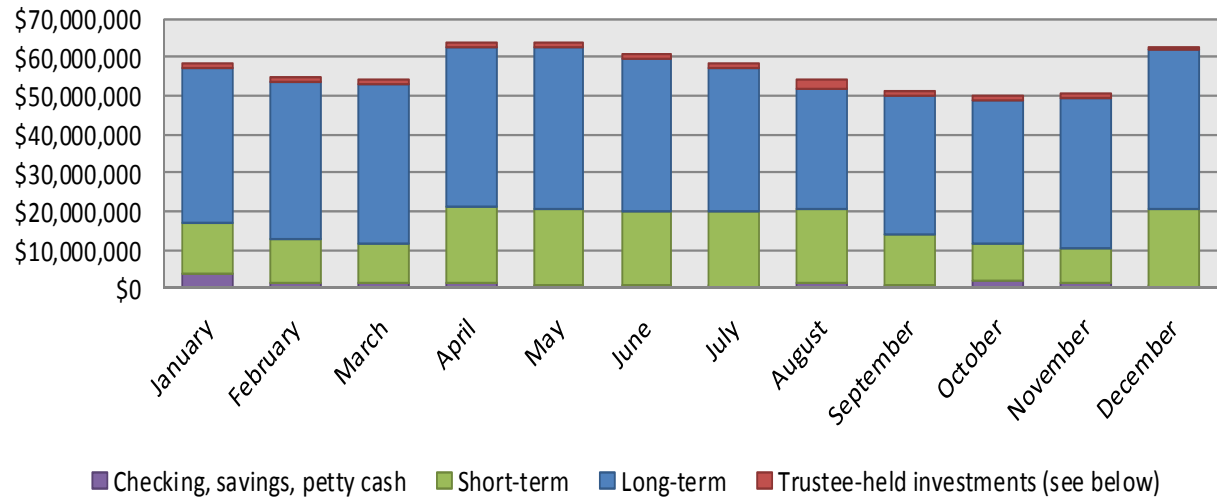
Cash increased over November primarily due to the December property tax receipts.

Trustee-held investments are bond reserves that may be used to pay the debt service if property owners become delinquent on their debt. No district reserves were used to pay bondholders.

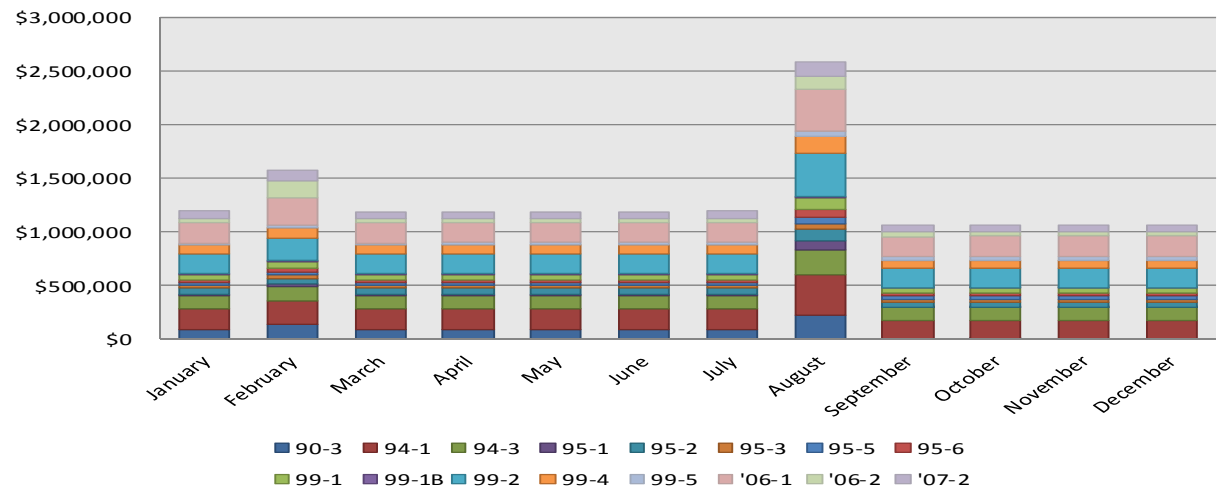
At the end of February and August, the City sends the Trustee amounts collected from property owners in the district. The trustee uses the funds to pay bond principal and interest.

The assessment district bonds are not direct obligations of the City.

Total Investments Including Cash



Trustee-Held Investments



City of Laguna Beach

December 31, 2011 Yield:

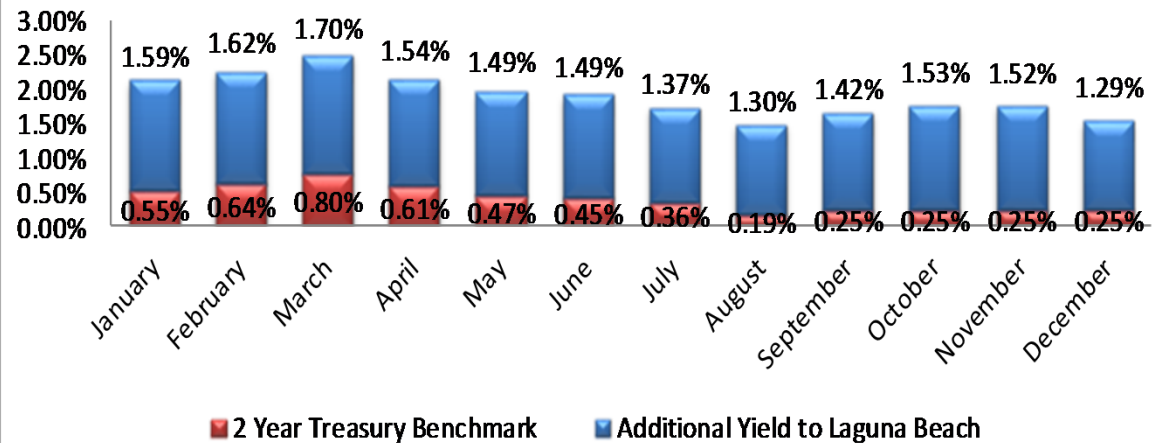
Laguna Beach portfolio yields continued to exceed the benchmark 2 year U.S. Treasury note in every month during 2011.

Market conditions at December 31, 2011 approximated the prior quarter end.

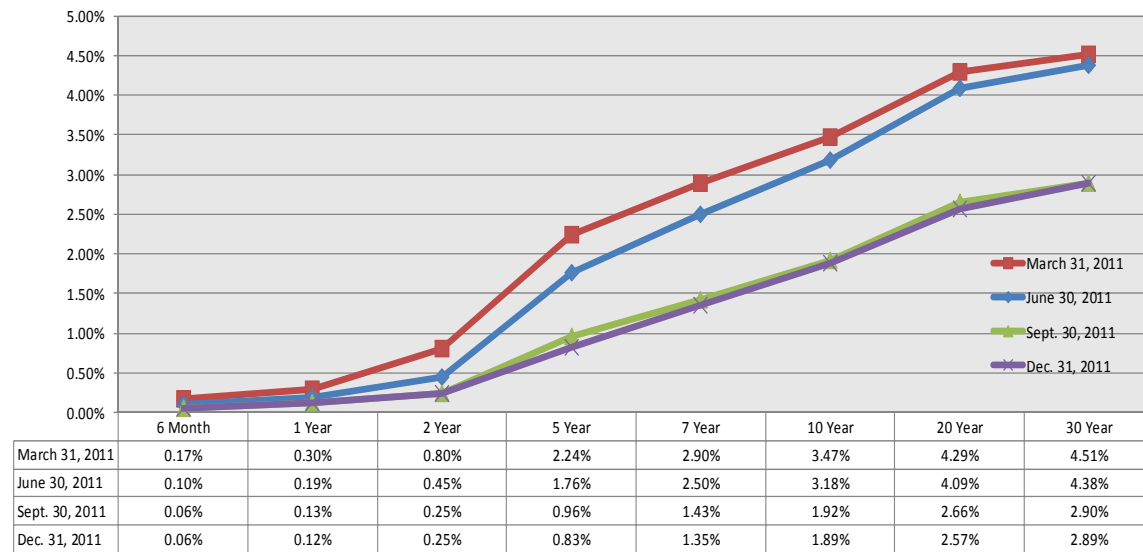
In the 3rd quarter, the US government was downgraded. The resulting monetary policy installed low interest rates that were evidenced by the drop in interest rates on US Treasury securities.

The City invests in securities that are both directly and indirectly backed by the federal government to ensure safety of principal. The returns on these securities has decreased due to economic conditions.

Yield vs. Benchmark



U.S. Treasury Yield Curve



City of Laguna Beach

Investment Revenue:

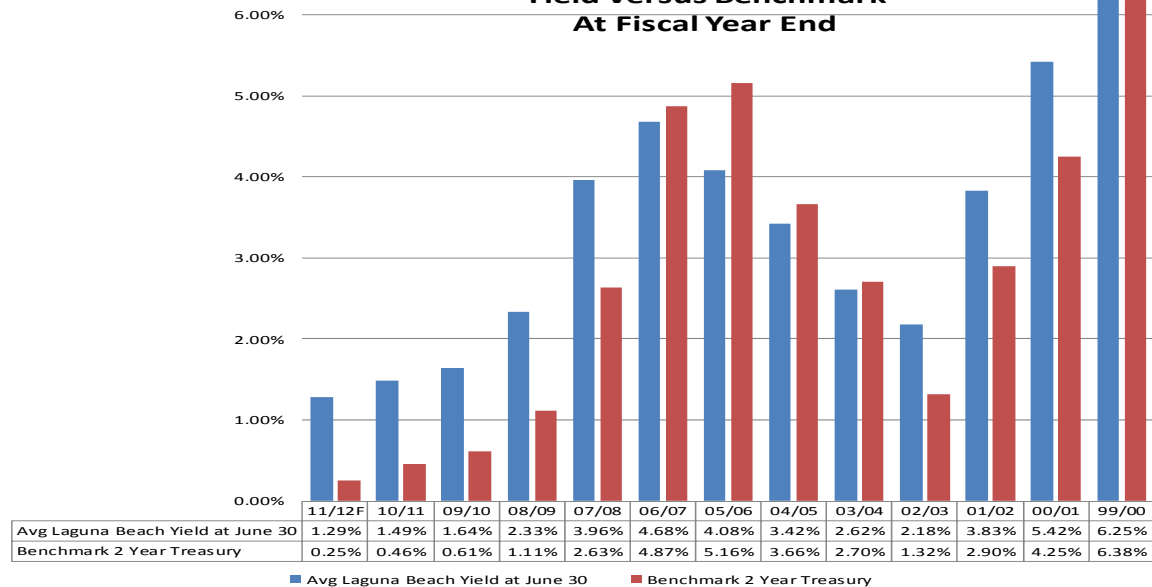
It is too early to predict the impact of market volatility on 2011/12 investment earnings, however, investment programs have contributed over \$18 million since 2000 to fund City operations.

The average Laguna Beach yield has exceeded the benchmark rate of return since 2006/07. After that fiscal year, the benchmark interest rate began to decline.

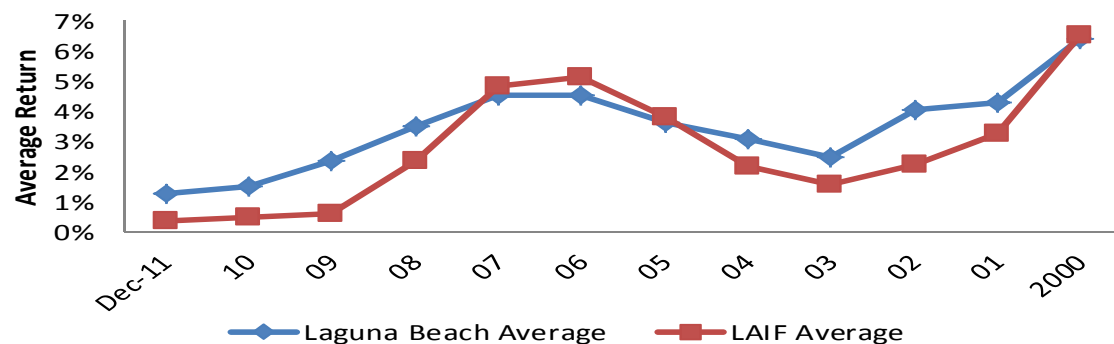
Generally, an economic environment with declining interest rates will cause the City portfolio to exceed the benchmark.

The reverse is also true as shown in the two charts. The average City yield may rise at a slower pace than the benchmark 2-year treasury note or the state managed Local Agency Investment Fund (LAIF) depending on the portfolio duration.

**Yield Versus Benchmark
At Fiscal Year End**



**City of Laguna Beach
Investment Income vs. LAIF**



City of Laguna Beach

Investment Diversification and Portfolio Holdings:

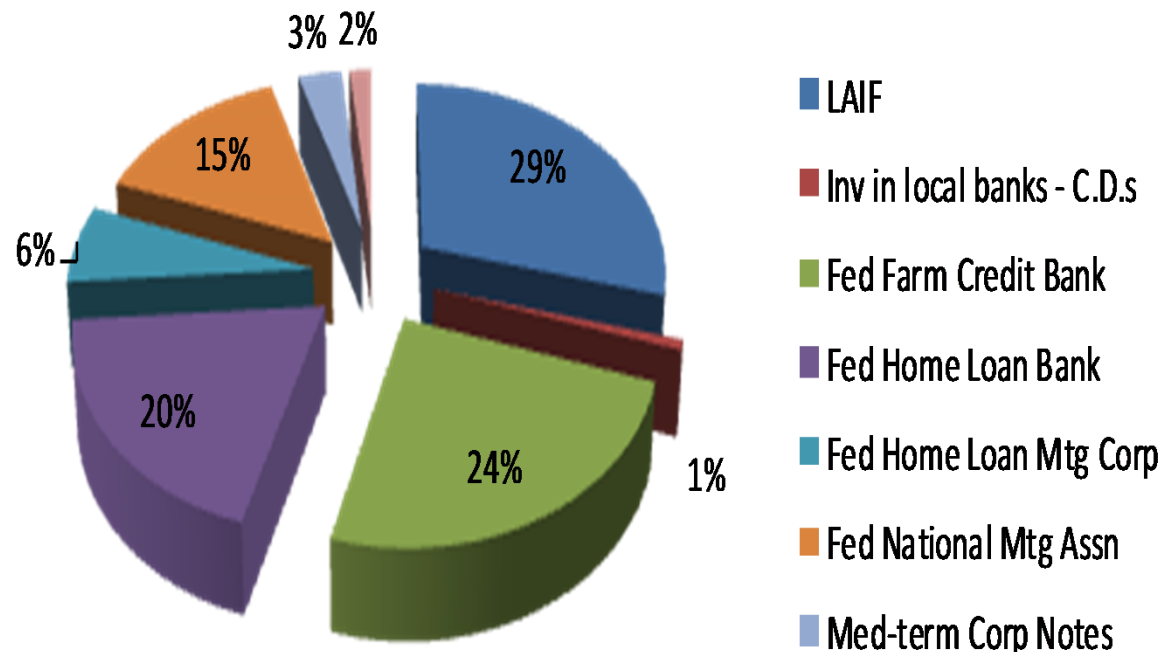
The portfolio was diversified and in compliance with the City's diversification guidelines.

Short-term investments are 33% of the portfolio. These funds will be used for current cash flow needs and approximately \$7 million in investable cash. They are invested in (a). LAIF; the California Local Agency Investment Fund, (b). federally sponsored government enterprises and (c). FDIC insured certificates of deposit. The CDs were placed with banks that have a Laguna Beach branch and offered an interest rate that exceeded the LAIF rate.

Generally, the investable cash received late December is invested in the following month.

The investments with maturities greater than 1 year but less than 5 years are federally sponsored governmental enterprises, medium-term corporate notes and a State of California taxable general obligation bond.

Investment Holdings and Diversification At December 31, 2011



City of Laguna Beach

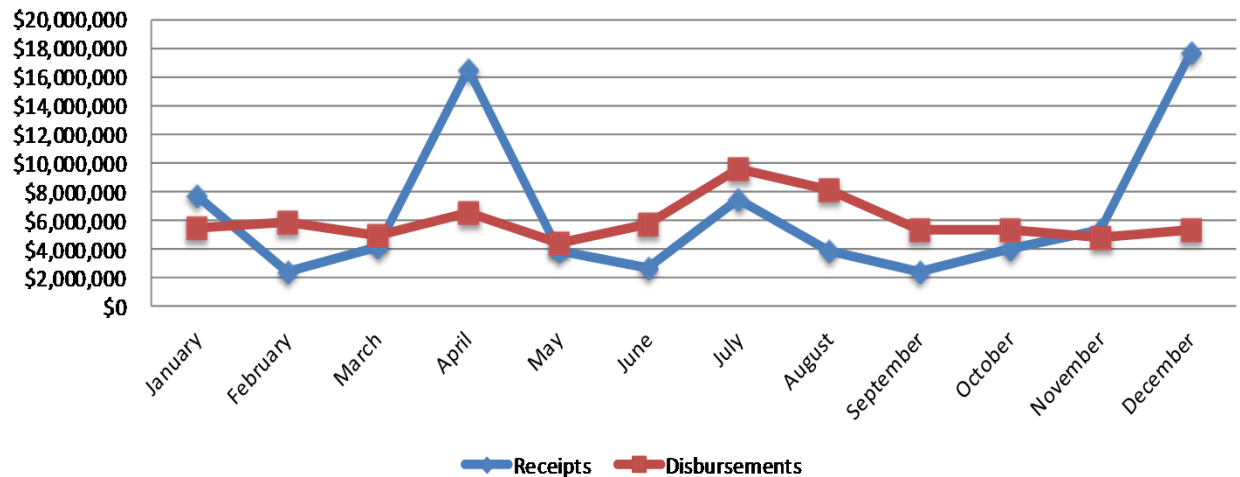
Cash Flow:

The annual City budget was balanced because it provided for receipts (blue lines) that equaled disbursements (red lines). However, on a monthly basis, the receipts were managed to provide adequate liquidity for budgeted disbursements.

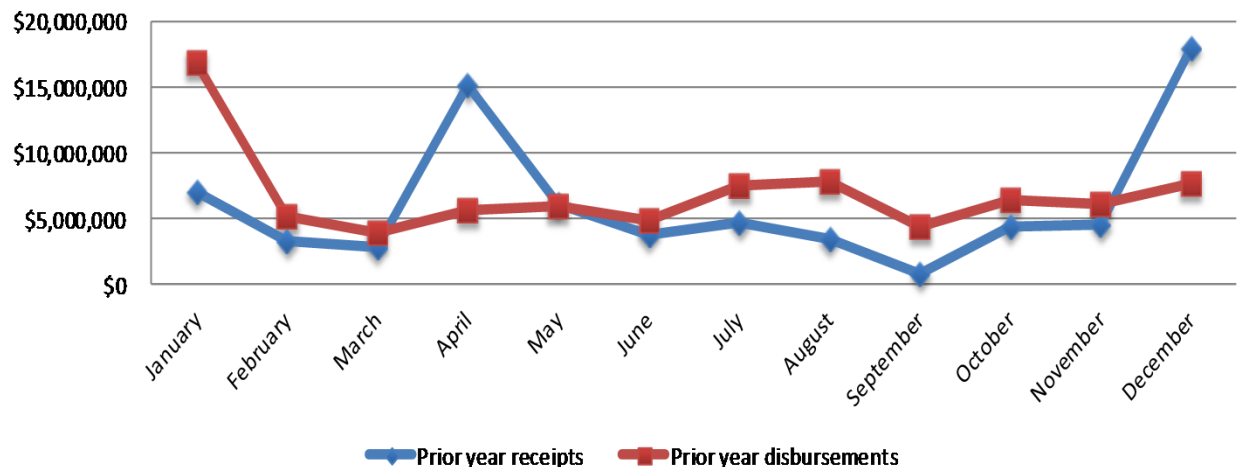
The largest single receipt source was property tax which was primarily received in December and April.

The current year cash requirements were similar to the prior year with the exception of January 2010. At the end of that month, \$10 million was spent on the CalPERS liability for Police and Fire personnel.

Cash Flow Year-to-Date 2011



Cash Flow Prior Year





City of Laguna Beach **City Treasurer Monthly Report - Unaudited** **For the Month of December 2011**

Cash Activity for the Month

Cash and investments, beginning of month	\$ 50,532,858.69
Cash receipts	17,709,331.58
Cash disbursements	<u>(5,420,305.10)</u>
Cash and investments, end of month	\$ <u>62,821,885.17</u>

Cash and Investment Portfolio at Month-End

	Current Year				Prior Year Cost
	Market Value	Cost	Pct of Total	Avg. Return	
Long-term investments:					
Federal agency securities	\$ 38,178,659.05	\$ 38,003,930.00	60%	1.847%	\$ 38,543,450.00
Medium-term corporate notes	2,032,950.00	2,000,000.00	3%	2.600%	-
Municipal notes and bonds	992,050.00	1,000,000.00	2%	1.500%	-
Subtotal	<u>41,203,659.05</u>	<u>41,003,930.00</u>	65%	1.930%	<u>38,543,450.00</u>
Short-term investments:					
State Local Agency Investment Fund	17,857,443.88	17,857,443.88	28%	0.382%	15,013,771.17
Federal agency securities	2,012,820.00	1,998,450.00	3%	1.203%	-
Investments in local banks - FDIC insured C.D.s	499,425.00	500,000.00	1%	0.460%	250,000.00
Subtotal	<u>20,369,688.88</u>	<u>20,355,893.88</u>	32%	0.465%	<u>15,263,771.17</u>
Savings, checking and change funds					
Savings accounts	50,367.83	50,367.83	0%	<div>0.300% Earnings Allowance Credit (a).</div>	54,681.48
Checking accounts	344,200.75	344,200.75	1%		1,116,758.42
Petty cash/change funds	3,617.75	3,617.75	0%		3,617.75
Subtotal	<u>398,186.33</u>	<u>398,186.33</u>	1%		<u>1,175,057.65</u>
Trustee-held investments	<u>1,063,874.96</u>	<u>1,063,874.96</u>	2%	0.382%	<u>1,192,637.31</u>
Grand total - cash and investments	\$ <u>63,035,409.22</u>	\$ <u>62,821,885.17</u>	100%		\$ <u>56,174,916.13</u>

(a). The earnings allowance credit applies to funds held by Bank of America and partially offset bank fees. Petty cash/change funds do not earn the credit.

Cash and Investment Custody (statements are available on request)

Union Bank Institutional Custody	\$ 43,465,904.05	\$ 43,252,380.00	\$ 38,543,450.00
State Local Agency Investment Fund	17,857,443.88	17,857,443.88	15,013,771.17
Bank of New York Trustee	1,063,874.96	1,063,874.96	1,192,637.31
Bank of America	394,568.58	394,568.58	1,171,439.90
Citizens Business Bank	250,000.00	250,000.00	250,000.00
Internal change funds	<u>3,617.75</u>	<u>3,617.75</u>	<u>3,617.75</u>
Cash and investments total	\$ <u>63,035,409.22</u>	\$ <u>62,821,885.17</u>	\$ <u>56,174,916.13</u>



City of Laguna Beach
Investment Portfolio Detail - Unaudited
at December 31, 2011

	Investment Type	CUSIP	Par Value	Market Value	Purchase Price	Premium (Discount)	Purchase or Dated	Maturity Date	Next Call Maturity	Coupon Rate	Yield	Days to Maturity	Days to Call (a)
(1)	State Investment Pool (LAIF)		\$ 17,857,443.88	\$ 17,857,443.88	\$ 17,857,443.88	\$		Today	Today	0.382%	0.382%	Today	Today
(2)	Investment in local banks		500,000.00	499,425.00	500,000.00		Various	1 yr or less	1 yr or less	0.460%	0.460%	Various	Various
(3)	Federal Home Loan Bank Bonds	3133XYMQ5	1,000,000.00	1,005,610.00	998,450.00	(1,550.00)	05/28/10	08/28/12	08/28/12	1.100%	1.257%	241	241
(4)	Fed Home Loan Bank Bond	3133XYTY1	1,000,000.00	1,007,210.00	1,000,000.00		06/18/10	10/22/12	10/22/12	1.150%	1.140%	296	296
(5)	California St Var Purp GO and GO Ref	13063BNN8	1,000,000.00	992,050.00	1,009,430.00	9,430.00	10/03/11	09/01/13	09/01/13	1.500%	1.510%	610	610
(6)	Federal Natl Mtg Assn	3136FPGA9	1,000,000.00	1,000,340.00	1,000,000.00		09/20/10	09/20/13	09/20/12	1.000%	0.990%	629	264
(7)	Federal Home Loan Bank Bonds	313370J58	1,000,000.00	1,010,160.00	999,500.00	(500.00)	08/30/10	10/30/13	10/30/13	1.000%	1.051%	669	669
(8)	Federal Home Loan Bank Bonds	313373GQ9	1,000,000.00	1,031,480.00	1,000,000.00		04/29/11	10/29/14	10/29/14	1.750%	1.700%	1,033	1,033
(9)	Federal Home Loan Mortgage Corp	3134G24Y5	1,000,000.00	1,000,740.00	1,000,000.00		11/14/11	11/14/14	11/14/12	0.875%	0.870%	1,049	319
(10)	Federal Home Loan Mortgage Corp	3134G2PM8	1,000,000.00	1,003,400.00	1,000,000.00		06/29/11	12/29/14	06/29/12	1.250%	1.250%	1,094	181
(11)	Federal Farm Cr Bks Cons	31331J6X6	1,000,000.00	1,000,090.00	1,000,000.00		01/05/11	01/05/15	01/05/12	2.100%	2.100%	1,101	-
(12)	Federal Farm Credit Bank Bonds	31331JQD8	1,000,000.00	1,008,740.00	1,000,000.00		06/08/10	06/08/15	06/08/12	2.590%	2.570%	1,255	160
(13)	Federal Farm Credit Bank Bonds	31331JRK1	1,000,000.00	1,007,060.00	1,000,000.00		06/15/10	06/15/15	06/15/12	2.500%	2.480%	1,262	167
(14)	Federal Home Loan Mtg Corp	3134G3EB2	1,000,000.00	1,000,040.00	1,000,000.00		12/30/11	06/30/15	12/30/13	1.000%	1.000%	1,277	730
(15)	Federal Farm Cr Bks Cons	31331JVS9	1,000,000.00	1,008,200.00	1,000,000.00		07/16/10	07/16/15	07/16/12	2.190%	2.170%	1,293	198
(16)	Federal Farm Credit Bank	31331KXY1	1,000,000.00	1,003,790.00	1,000,000.00		09/14/11	09/14/15	09/14/12	1.040%	1.040%	1,353	258
(17)	Federal Home Loan Banks	313376JG1	1,000,000.00	1,000,220.00	1,000,000.00		12/16/11	09/16/15	03/16/12	1.150%	1.150%	1,355	76
(18)	Federal Natl Mtg Assn Notes	3136FTJT7	995,000.00	997,179.05	995,000.00	(5,000.00)	11/04/11	11/04/15	05/04/12	1.300%	1.803%	1,404	125
(19)	General Electric Capital corp Notes	36962G4T8	1,000,000.00	1,004,470.00	1,000,000.00		08/09/11	11/09/15	11/09/15	2.250%	2.270%	1,409	1,409
(20)	Federal Farm Credit Bank Bonds	31331J3A9	1,000,000.00	1,006,340.00	1,000,000.00		11/23/10	11/23/15	05/23/12	2.000%	1.990%	1,423	144
(21)	Federal Farm Credit Bank Bonds	31331KWF3	1,000,000.00	1,000,030.00	1,000,000.00		08/25/11	02/25/16	12/25/11	1.370%	1.370%	1,517	-
(22)	Federal Farm Cr Bks	31331KDQ0	1,000,000.00	1,004,500.00	1,000,000.00		03/09/11	03/09/16	03/09/12	2.600%	2.590%	1,530	69
(23)	General Elec Cap Corp	36962G5C4	1,000,000.00	1,028,480.00	1,000,000.00		08/26/11	05/09/16	05/09/16	2.950%	2.870%	1,591	1,591
(24)	Federal Farm Credit Bank	31331KLZ1	1,000,000.00	1,007,890.00	1,000,000.00		05/25/11	05/25/16	05/21/12	2.310%	2.290%	1,607	142
(25)	Federal Natl Mtg Assn Notes	3136FRMP5	1,000,000.00	1,020,840.00	1,000,000.00		06/06/11	06/06/16	06/06/13	2.200%	2.160%	1,619	523
(26)	Federal Home Ln Mtg Corp	3134G2LB6	1,000,000.00	1,007,160.00	1,000,000.00		06/20/11	06/20/16	06/20/12	2.050%	2.040%	1,633	172
(27)	Federal Farm Credit Bank	31331KPT1	1,000,000.00	1,007,520.00	1,000,000.00		06/22/11	06/22/16	06/22/12	2.000%	1.990%	1,635	174
(28)	Federal Natl Mtg Assn Step Cpn	3136FRVH3	1,000,000.00	1,005,990.00	1,000,000.00		06/29/11	06/29/16	06/29/12	1.500%	1.490%	1,642	181
(29)	Federal Natl Mtg Assn	3136FRVX8	1,000,000.00	1,000,100.00	1,000,000.00		07/05/11	07/05/16	01/05/12	2.200%	2.200%	1,648	-
(30)	Federal Home Loan Bank Bonds	313374HW3	1,000,000.00	1,009,520.00	1,000,000.00		07/12/11	07/12/16	07/12/12	2.000%	1.980%	1,655	194
(31)	Federal Natl Mtg Assn	3136FRE58	1,000,000.00	1,006,810.00	1,000,000.00		07/27/11	07/27/16	07/27/12	2.000%	1.990%	1,670	209
(32)	Federal Home Loan Banks	313375C21	2,000,000.00	2,001,980.00	2,000,000.00		08/22/11	08/22/16	02/22/12	1.500%	1.500%	1,696	53
(33)	Federal Farm Credit Banks	31331KXZ8	1,000,000.00	1,004,260.00	1,000,000.00		09/12/11	09/12/16	09/12/12	1.470%	1.460%	1,717	256
(34)	Federal Home Loan Banks	313375KM8	1,000,000.00	1,000,030.00	1,000,000.00		09/23/11	09/23/16	12/23/11	1.570%	1.570%	1,728	-
(35)	Federal Farm Cr Bks	31331KZN3	1,000,000.00	1,004,480.00	1,000,000.00		09/26/11	09/26/16	09/26/12	1.375%	1.370%	1,731	270
(36)	Federal Home Loan Banks	313375LM7	1,000,000.00	1,000,030.00	1,000,000.00		09/28/11	09/28/16	12/28/11	1.520%	1.520%	1,733	-
(37)	Federal Natl Mtg Assn Step Cpn	3136FR4E0	1,000,000.00	1,001,470.00	1,000,000.00		09/28/11	09/28/16	09/28/13	1.250%	1.250%	1,733	637
(38)	Federal Farm Credit Bank	31331KF39	1,000,000.00	1,003,810.00	1,000,000.00		10/11/11	10/11/16	10/11/12	1.370%	1.360%	1,746	285
(39)	Federal Farm Credit Bank Bonds	31331KG87	1,000,000.00	1,007,370.00	1,000,000.00		10/18/11	10/18/16	10/18/12	1.620%	1.610%	1,753	292
(40)	Federal Natl Mtg Assn	3136FTPG8	1,000,000.00	1,001,320.00	1,000,000.00		11/23/11	11/23/16	11/23/13	1.250%	1.260%	1,789	693
(41)	Federal Farm Credit Banks	31331KX47	1,000,000.00	1,000,780.00	1,000,000.00		11/28/11	11/28/16	11/28/12	1.510%	1.520%	1,794	333
(42)	Federal Home Loan Banks	313376M51	2,000,000.00	2,000,760.00	2,000,000.00		12/21/11	12/21/16	03/21/12	1.520%	1.520%	1,817	81
(43)	Federal Natl Mtg Assn Step Cpn	3136FTT22	1,000,000.00	1,004,230.00	1,000,000.00		12/28/11	12/28/16	12/28/13	1.300%	1.290%	1,824	728
(44)	Total Investments		\$ 61,352,443.88	\$ 61,573,347.93	\$ 61,359,823.88		Avg. Yield or Days			1.287%	996	227	
							Benchmark 2-Year Treasury Rate			0.250%			
(45)	Savings, checking and change funds			398,186.33	398,186.33								
(46)	Trustee-held investments			1,063,874.96	1,063,874.96								
(47)	Grand total - cash and investments		\$ 63,035,409.22	\$ 62,821,885.17									

(a). Bonds with a "-" currently have a continuous call provision.
The issuer may retire the debt with 5 days notice.