

City of Encinitas

June 1, 2010

TO: City Council Members

VIA: Phil Cotton, City Manager

FROM: Jay Lembach, City Treasurer/Investment Officer

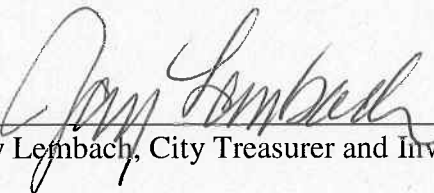
SUBJECT: Investment Results for the quarter ended March 31, 2010

Per the City of Encinitas' adopted Investment Policy, the Treasurer is required to report to the Legislative Body on the status of City investments at the end of each calendar quarter. This may be done either through an Agenda Report or via a memo to the City Council. In practice, we generally provide a memo for the first and third fiscal quarters, and an Agenda Report at fiscal mid-year and year-end. The practice of providing a memo presumes that there are no significant items to report for that period; if there are, an Agenda Report would be presented.

For the fiscal quarter ended March 31, 2010, there were no significant events or changes to investment holdings that would merit presentation of an Agenda Report. A summary report of investment holdings at March 31, 2010 and investment results for the period July 1, 2009 – March 31, 2010 are attached hereto for your information. A copy of this report will also be posted on the City's WebSite under the Finance Department for any interested parties to review.

The City has earned an investment return of 1.08% year-to-date, which compares favorably to the Budget assumption of 1.00% rate of return. That rate of return is also much higher than the City's benchmark, which is less than 0.50% for the period. In general, our rate of return exceeded the benchmark because US Treasury bill yields have been extremely low for over one year due to the "flight-to-safety" by many investors, which has depressed returns across the board.

The Treasurer will present a full Agenda Report to the Council in August 2010, detailing holdings and results for the fiscal year as well as any needed updates to the City's Investment Policy.



Jay Lembach, City Treasurer and Investment Officer



CITY OF ENCINITAS
505 S. VULCAN
ENCINITAS, CA 92024
(760)633-2641

**City of Encinitas
Portfolio Management
Portfolio Summary
March 31, 2010**

Investments	Par Value	Market Value	Book Value	% of Portfolio	YTM	Term	Days to Maturity
Banking Facilities	30,098,870.32	30,098,870.32	30,098,870.32	33.08	1.560	1	1
Local Agency Investment Funds	25,508,112.03	25,508,112.03	25,508,112.03	28.04	0.550	1	1
Managed Pool Accounts	4,974,435.17	4,974,435.17	4,974,435.17	5.47	0.160	1	1
Money Market Funds	389,495.64	389,495.64	389,495.64	0.43	0.140	1	1
U.S. Treasury Bills	10,000,000.00	9,996,100.00	9,997,219.44	10.99	0.110	93	91
Federal Agency Coupon Securities	2,000,000.00	2,015,940.00	2,005,463.06	2.20	3.274	612	63
Federal Agency Callable Securities	12,000,000.00	11,950,620.00	12,000,134.41	13.19	1.489	905	819
Variable Rate Agency Cpn Securities	6,000,000.00	6,027,570.00	6,001,750.00	6.60	1.583	1,574	1,479
Investments	90,970,913.16	90,961,143.16	90,975,480.07	100.00%	1.065	248	218
Cash							
Passbook/Checking (not included in yield calculations)	724,263.79	724,263.79	724,263.79		0.000	1	1
Total Cash and Investments	91,695,176.95	91,685,406.95	91,699,743.86		1.065	248	218

Total Earnings	March 31	Month Ending	Fiscal Year To Date
Current Year	82,905.84		750,846.13
Average Daily Balance	94,003,299.69		92,222,286.80
Effective Rate of Return	1.04%		1.08%

I certify the accuracy of the attached report on the City of Encinitas' Pooled Investment Fund. All funds for which the City has oversight responsibility are reflected in this report. All investments are in compliance with the City's adopted Investment Policy, which is available through the City Clerk's office. The City's Investment Program provides sufficient liquidity to meet the next six (6) months expenditure requirements. The source of the market values of investments owned is Union Bank of California Custody Services.

Jay A. Lambach
Jay A. Lambach, Investment Officer

**City of Encinitas
Portfolio Management
Portfolio Details - Investments
March 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM	S&P	Moody's	Maturity Date
Banking Facilities												
SYS1369	1369	Union Bank-Deposit Account	30,098,870.32		30,098,870.32	30,098,870.32	30,098,870.32	1.560	1.560			
		Subtotal and Average	30,098,870.32		30,098,870.32	30,098,870.32	30,098,870.32	1.560	1.560			
Local Agency Investment Funds												
SYS1012	1012	CA Local Agency Investment Fund	25,508,112.03		25,508,112.03	25,508,112.03	25,508,112.03	0.550	0.550	NIR	NIR	
		Subtotal and Average	25,508,112.03		25,508,112.03	25,508,112.03	25,508,112.03	0.550	0.550			
Managed Pool Accounts												
SYS1003	1003	CA Asset Management Program	4,974,435.17		4,974,435.17	4,974,435.17	4,974,435.17	0.160	0.160	AAA	NIR	
		Subtotal and Average	4,974,435.17		4,974,435.17	4,974,435.17	4,974,435.17	0.160	0.160			
Money Market Funds												
SYS1377	1377	Federated- Municipal Obligatio	0.00	09/30/2009	0.00	0.00	0.00	0.150	0.150			
SYS1339	1339	Federated Prime Cash Fund	0.00		0.00	0.00	0.00	0.130	0.130	AAA	Aaa	
SYS1004	1004	Union Bank Custody Acct.	389,495.64		389,495.64	389,495.64	389,495.64	0.140	0.140	NIR	NIR	
		Subtotal and Average	14,668,599.37		389,495.64	389,495.64	389,495.64	0.140	0.140			
U.S. Treasury Bills												
912795U66	1386	U.S. Treasury Bill	10,000,000.00	03/30/2010	10,000,000.00	9,996,100.00	9,997,219.44	0.110	0.110	AAA	Aaa	07/01/2010
		Subtotal and Average	644,980.91		10,000,000.00	9,996,100.00	9,997,219.44	0.110	0.110			
Federal Agency Coupon Securities												
3133XFL4	1351	Federal Home Loan Bank	1,000,000.00	09/29/2008	1,000,000.00	1,009,690.00	1,003,650.98	5.250	3.301	AAA	Aaa	06/11/2010
3133XBYP4	1354	Federal Home Loan Bank	1,000,000.00	09/29/2008	1,000,000.00	1,006,250.00	1,001,812.08	4.500	3.247	AAA	Aaa	05/25/2010
		Subtotal and Average	2,361,587.98		2,000,000.00	2,015,940.00	2,005,463.06	3.274	3.274			
Federal Agency Callable Securities												
3133XXGH4	1384	Federal Home Loan Bank	2,000,000.00	03/24/2010	2,000,000.00	1,988,120.00	2,000,000.00	1.520	1.520	AAA	Aaa	12/24/2012
3133XXGF8	1385	Federal Home Loan Bank	2,000,000.00	03/24/2010	2,000,000.00	1,988,120.00	2,000,000.00	1.350	1.350	AAA	Aaa	09/24/2012
3128X8WC2	1370	Federal Home Loan Mortgage	2,000,000.00	06/09/2009	2,000,000.00	2,001,120.00	2,000,134.41	1.750	1.689	AAA	Aaa	04/20/2011
3128X9PW4	1379	Federal Home Loan Mortgage	2,000,000.00	12/30/2009	2,000,000.00	1,991,360.00	2,000,000.00	1.125	1.125	AAA	Aaa	12/30/2011
3128X9M72	1383	Federal Home Loan Mortgage	2,000,000.00	03/15/2010	2,000,000.00	1,987,520.00	2,000,000.00	1.250	1.250	AAA	Aaa	06/15/2012
3136FJA27	1381	Federal Nat'l Mortgage Assoc.	2,000,000.00	12/28/2009	2,000,000.00	1,994,380.00	2,000,000.00	2.000	2.000	AAA	Aaa	06/28/2013
		Subtotal and Average	8,129,265.93		12,000,000.00	11,950,620.00	12,000,134.41	1.489	1.489			

**City of Encinitas
Portfolio Management
Portfolio Details - Investments
March 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM	S&P Moody's	Maturity Date	
Variable Rate Agency Cpn Securities												
3128X9NK2	1380	Federal Home Loan Mortgage		12/21/2009	2,000,000.00	2,005,070.00	2,001,750.00	1.500	1.500	Aaa	11/26/2013	
3136FJC90	1378	Federal Nat'l Mortgage Assoc.		12/30/2009	2,000,000.00	2,007,500.00	2,000,000.00	2.000	2.000	Aaa	12/30/2013	
3136FJD32	1382	Federal Nat'l Mortgage Assoc.		12/30/2009	2,000,000.00	2,015,000.00	2,000,000.00	1.250	1.250	Aaa	12/30/2014	
		Subtotal and Average	6,001,750.00		6,000,000.00	6,027,570.00	6,001,750.00		1.583			
		Total and Average	94,003,299.69		90,970,913.16	90,961,143.16	90,975,480.07		1.065			

**City of Encinitas
Portfolio Management
Portfolio Details - Cash
March 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM	S&P Moody's
Passbook/Checking Accounts										
SYS1011	1011	Scripps Bank\US Bank		07/01/2009	47,305.03	47,305.03	47,305.03		0.000	
SYS1010	1010	Union Bank Checking Acct.		07/01/2009	676,958.76	676,958.76	676,958.76		0.000	
		Average Balance	0.00							
		Total Cash and Investments	94,003,299.69		91,695,176.95	91,685,406.95	91,699,743.86		1.065	



CITY OF ENCINITAS
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**City of Encinitas
Interest Earnings
Sorted by Security Type - Maturity Date
July 1, 2009 - March 31, 2010
Yield on Average Book Value**

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Adjusted Interest Earnings	
											Amortization/ Accretion	Adjusted Interest Earnings
Security Type: Federal Agency Disc. -Amortizing												
313589RB1	1367	001	FNMA	5,000,000.00	4,980,000.00	3,278,138.69	12/28/2009	0.800	0.813	0.00	20,000.00	20,000.00
			Subtotal	5,000,000.00	4,980,000.00	3,278,138.69			0.813	0.00	20,000.00	20,000.00
Security Type: U.S. Treasury Bills												
912795N23	1376	001	USTB	10,000,000.00	9,999,750.00	547,438.87	07/16/2009	0.060	0.061	0.00	250.00	250.00
912795U66	1386	001	USTB	10,000,000.00	0.00	72,972.29	07/01/2010	0.110	0.112	0.00	61.11	61.11
			Subtotal	20,000,000.00	9,999,750.00	620,411.16			0.067	0.00	311.11	311.11
Security Type: Federal Agency Coupon Securities												
3128X3SL8	1356	001	FHLMC	1,000,000.00	1,000,963.46	105,888.64	07/30/2009	4.375	3.222	3,524.31	-963.46	2,560.85
3128X3SL8	1364	001	FHLMC	2,000,000.00	2,006,110.93	211,991.07	07/30/2009	4.375	0.589	7,048.61	-6,110.93	937.68
3133M9FC1	1363	001	FHLB	3,000,000.00	3,021,067.93	483,389.77	08/14/2009	6.500	0.613	23,291.66	-21,067.93	2,223.73
3128X2YT6	1348	001	FHLMC	2,000,000.00	2,005,506.01	402,001.30	08/25/2009	5.000	3.146	15,000.00	-5,506.01	9,493.99
3136F6LL1	1365	001	FNMA	1,000,000.00	1,011,677.27	480,866.35	11/09/2009	4.000	0.705	14,222.22	-11,677.27	2,544.95
3133MABK4	1366	001	FHLB	2,000,000.00	2,042,328.89	995,737.91	11/13/2009	6.500	0.714	47,666.67	-42,328.89	5,337.78
3128X3K85	1355	001	FHLMC	2,000,000.00	2,006,632.27	1,023,579.29	11/18/2009	4.125	3.223	31,395.83	-6,632.27	24,763.56
3133XNTD1	1352	001	FHLB	1,000,000.00	1,002,762.22	688,037.13	01/08/2010	3.750	3.190	19,479.17	-2,762.22	16,716.95
3133XRX12	1350	001	FHLB	2,000,000.00	1,998,594.64	1,590,686.00	02/04/2010	3.100	3.190	36,683.33	1,405.36	38,088.69
3133XJUS5	1349	001	FHLB	1,000,000.00	1,011,806.12	932,501.45	03/12/2010	5.000	3.294	34,861.11	-11,806.12	23,054.99
3133XBY4	1354	001	FHLB	1,000,000.00	1,010,872.48	1,006,343.75	05/25/2010	4.500	3.268	33,750.00	-9,060.40	24,689.60
3133XFLE4	1351	001	FHLB	1,000,000.00	1,017,733.33	1,010,694.44	06/11/2010	5.250	3.334	39,375.00	-14,082.35	25,292.65
			Subtotal	19,000,000.00	19,136,055.55	8,941,717.11			2.618	306,297.91	-130,592.49	175,705.42
Security Type: Managed Pool Accounts												
SYS1003	1003	001	CAMP	4,974,435.17	9,950,933.11	8,397,543.79		0.160	0.312	19,647.31	0.00	19,647.31
			Subtotal	4,974,435.17	9,950,933.11	8,397,543.79			0.312	19,647.31	0.00	19,647.31
Security Type: Banking Facilities												
SYS1369	1369	001	UBOCDA	30,088,870.32	20,000,000.00	23,164,152.22		1.560	1.582	275,045.80	0.00	275,045.80

City of Encinitas
Interest Earnings
July 1, 2009 - March 31, 2010

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Adjusted Interest Earnings	
											Amortization/ Accretion	Adjusted Interest Earnings
Security Type: Money Market Funds												
			Subtotal	30,098,870.32	20,000,000.00	23,164,152.22			1.582	275,045.80	0.00	275,045.80
SYS1004	1004	001	UBCUST	389,495.64	4,463,163.29	10,681,305.24		0.140	0.313	25,073.86	0.00	25,073.86
SYS1339	1339	001	FED3	0.00	10,000,000.00	5,109,489.05		0.130	0.287	11,011.32	0.00	11,011.32
SYS1377	1377	001	FED12	0.00	0.00	1,733,576.64		0.150	0.252	3,275.08	0.00	3,275.08
			Subtotal	389,495.64	14,463,163.29	17,524,370.93			0.299	39,360.26	0.00	39,360.26
Security Type: Local Agency Investment Funds												
SYS1012	1012	001	LAIF	25,508,112.03	8,966,783.93	15,569,945.75		0.550	0.639	74,733.09	0.00	74,733.09
			Subtotal	25,508,112.03	8,966,783.93	15,569,945.75			0.639	74,733.09	0.00	74,733.09
Security Type: Variable Rate Agency Cpn Securities												
3133XTTH9	1371	001	FHLB	3,000,000.00	3,000,000.00	2,452,554.74	06/15/2011	0.875	0.867	15,968.75	0.00	15,968.75
3136FHZJ7	1372	001	FNMA	3,000,000.00	3,000,000.00	2,452,554.74	12/16/2011	1.100	1.090	20,075.00	0.00	20,075.00
3128X9NK2	1380	001	FHLMC	2,000,000.00	0.00	737,871.35	11/26/2013	1.500	1.504	8,333.33	0.00	8,333.33
3136FJC90	1378	001	FNMA	2,000,000.00	0.00	671,532.85	12/30/2013	2.000	2.006	10,111.11	0.00	10,111.11
3136FJD32	1382	001	FNMA	2,000,000.00	0.00	671,532.85	12/30/2014	1.250	1.254	6,319.44	0.00	6,319.44
			Subtotal	12,000,000.00	6,000,000.00	6,986,046.53			1.159	60,807.63	0.00	60,807.63
Security Type: Federal Agency Callable Securities												
3133XRN30	1347	001	FHLB	1,000,000.00	1,000,082.03	21,898.56	07/07/2010	4.000	3.556	666.67	-82.03	584.64
3128X82F8	1375	001	FHLMC	2,000,000.00	2,000,000.00	664,233.58	12/30/2010	1.250	1.240	6,180.56	0.00	6,180.56
3128X8WC2	1370	001	FHLMC	2,000,000.00	2,006,808.26	2,003,019.60	04/20/2011	1.750	1.619	26,250.00	-1,909.96	24,340.04
3133XU2C6	1374	001	FHLB	2,000,000.00	2,000,000.00	1,321,167.88	09/29/2011	1.760	1.755	17,404.44	0.00	17,404.44
3136FHK95	1373	001	FNMA	2,000,000.00	2,000,000.00	656,934.31	09/29/2011	2.000	1.983	9,777.78	0.00	9,777.78
3128X9PW4	1379	001	FHLMC	2,000,000.00	0.00	671,532.85	12/30/2011	1.125	1.128	5,687.50	0.00	5,687.50
3128X9M72	1383	001	FHLMC	2,000,000.00	0.00	124,087.59	06/15/2012	1.250	1.193	1,111.11	0.00	1,111.11
3133XXGF8	1385	001	FHLB	2,000,000.00	0.00	58,394.16	09/24/2012	1.350	1.198	525.00	0.00	525.00
3133XXGH4	1384	001	FHLB	2,000,000.00	0.00	58,394.16	12/24/2012	1.520	1.348	591.11	0.00	591.11
3136FJA27	1381	001	FNMA	2,000,000.00	0.00	686,131.39	06/28/2013	2.000	2.006	10,333.33	0.00	10,333.33
			Subtotal	19,000,000.00	9,006,890.29	6,265,794.07			1.627	78,527.50	-1,991.99	76,535.51
			Total	135,970,913.16	102,503,576.17	90,748,120.25			1.089	854,419.50	-112,273.37	742,146.13