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DATE: June 7, 2006

TO: Honorable Mayor and City Councilmembers

FROM: Rosemary R. Jones, City Treasurer

SUBJECT: **ACCEPTANCE OF THE TREASURER'S REPORT FOR QUARTER ENDED MARCH 31, 2006 AND ADOPTION OF A RESOLUTION AMENDING THE POLICY FOR THE INVESTMENT OF CITY OF OCEANSIDE FUNDS**

### **SYNOPSIS**

The Treasurer's Report provides general information to Council regarding the status of the City's investment portfolio. As its purpose is informational in nature, no action by Council is required on the report. The Treasurer's office is also requesting amending the City's investment policy, and therefore is requesting Council adopt a resolution amending the investment policy as presented. Staff recommendation is to accept the Treasurer's Report for the quarter ended March 31, 2006 and adopt a resolution amending the policy for the investment of City of Oceanside funds.

### **BACKGROUND**

Since 1994, the City Treasurer has been making quarterly report presentations to City Council regarding the status of the investment portfolio. The last report was for the quarter ended December 31, 2005.

The City of Oceanside investment policy was first adopted in March 1988 and has been reviewed annually since that time. The investment policy was last reviewed by City Council on June 1, 2005.

### **ANALYSIS**

The quarterly Treasurer's report is intended to provide an awareness of the activity and performance of the City's investment portfolio. The goal of the Treasurer's office is to make investments in conformance with the investment policy adopted by the City Council.

## **REVIEW OF QUARTER ENDED MARCH 31, 2006**

For the quarter ended March 31, 2006, the City's portfolio had a book value of \$219,666,720.96 (book value is the cost of the security plus any amortization or accretion of premiums or discounts). The average yield to maturity of the portfolio was 3.178%, which has generated fiscal year-to-date accrued earnings of \$4,569,403.59.

The following table provides a comparison of the portfolio for the quarter ended March 31, 2006, the previous quarter ended December 31, 2005 and prior year's quarter-end March 31, 2005:

### **City of Oceanside Portfolio Comparison March 31, 2006, December 31, 2005 and March 31, 2005**

	<b>Mar 31, 2006</b>	<b>Dec 31, 2005</b>	<b>Mar 31, 2005</b>
Book Value	\$219,666,719.96	\$216,272,459.89	\$216,906,505.38
Market Value	\$216,566,420.28	\$212,996,710.02	\$213,117,323.49
Unrealized Gains/(Losses)	\$ (3,100,299.68)	\$ (3,275,749.87)	\$ (3,789,181.89)
Average Weighted YTM	3.178%	2.889%	2.690%
Liquidity 0 – 6 months	33.54%	31.24%	10.83%
Average DTM	340 (0.94 years)	321 (0.88 years)	544 (1.49 years)
YTD Earnings	\$4,569,402.59	\$2,881,525.97	\$4,357,211.85
YTD Capital Gains/(Losses)	\$ 0.00	\$ 0.00	\$ 156.25

The average weighted yield to maturity of the portfolio has increased nearly 29 basis points (3.178% vs. 2.889%) during the past quarter due to rising market interest rates and lower interest rate portfolio securities maturing and being reinvested in higher yielding coupon securities. Portfolio liquidity remains high (33.54% in 0 to 6-months). Since the average days to maturity is under one-year liquidity will most likely remain higher than normal into the next quarter.

The Fed raised short-term interest rates at their regularly scheduled Federal Open Market Committee (FOMC) meetings in January and March, however, their statement following the meetings provided indication that the Fed would become more data dependent when considering future increases, rather than the "measured" approach to lifting the accommodation in the market. The January meeting was the last for retiring Fed Chairman Alan Greenspan. His replacement, Ben Bernanke, is expected to provide consistency at the Fed as it is widely recognized that Dr. Bernanke is an inflation fighter as was his predecessor. The market had priced in another 25 basis point rate increase by the Fed at the May 10 FOMC meeting, and the Fed did raise rates as expected. Future rate hikes are uncertain and it will remain to be seen whether the Fed is ready to pause its tightening cycle. The Fed has raised interest rates a total of sixteen times since June 2004 increasing the Fed Funds Rate to 5.00% from 1%, and has proven to be effective in containing inflation while still allowing the economy to flourish.

Since front-end liquidity is strong and interest rates are higher, the portfolio strategy for the upcoming quarter includes security purchases in the 2-year to 3-year maturity range to slightly extend maturities and enhance portfolio yields.

### **FISCAL IMPACT**

Fiscal year-to-date accrued earnings for the quarter ending March 31, 2006 totaled \$4,569,403.59, an increase of \$212,190.74 from the previous year (March 2005).

### **AMENDMENTS TO INVESTMENT POLICY**

Staff, in conjunction with United American Capital Corporation and the Investment Oversight Committee, reviewed the City's investment policy and suggested the following changes to the policy:

1. Section 9, Swapping of Securities – Adding language to enhance section in anticipation of swap activity that may occur in the future.
2. Section 13, Reporting – Updating language to include legislative changes in the State Government Code that eliminated the mandate to submit quarterly reports to Council. Also, adding language regarding investment reporting as related to accounting requirements.

### **COMMISSION/COMMITTEE REPORT**

The Investment Oversight Committee reviewed the quarter end report for March 31, 2006 at its May 16, 2006 meeting, and concurs with its contents. The Committee confirms that the investments are in compliance with the California State Code and the City's adopted investment policy, and that the portfolio is managed in a satisfactory manner. The Committee has been involved in the review process of the City's Investment Policy and it is their recommendation that the above changes be implemented.

### **CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

**RECOMMENDATION**

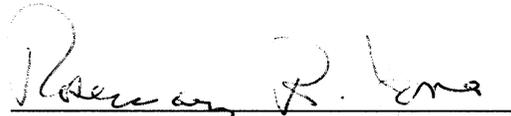
Staff recommends that the City Council accept the Treasurer's Report for the quarter ended March 31, 2006 and adopt a resolution amending the policy for the investment of City of Oceanside funds.

PREPARED BY:



MICHELE C. LUND, CCMT  
Treasury Manager

REVIEWED BY:



ROSEMARY R. JONES, CCMT  
City Treasurer

attachments:      Treasurer's Quarter End Report – March 31, 2006  
                            Resolution  
                            City of Oceanside Investment Policy

# **CITY OF OCEANSIDE**



# **TREASURER'S REPORT**

***For Quarter Ended***

***March 31, 2006***



**CITY OF OCEANSIDE  
OFFICE OF THE CITY TREASURER**

TO: CITY COUNCIL  
CITY MANAGER

DATE: APRIL 20, 2006

SUBJECT: INVESTMENT REPORT FOR THE QUARTER ENDED MARCH 31, 2006

Market commentary for quarter ended March 31, 2006

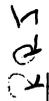
Interest rates rose across the curve during the quarter as the Federal Reserve board continued to raise interest rates. The Fed raised rates 25 basis points at each of the FOMC meetings held in January and March. Retired Chairman Alan Greenspan was replaced by Ben Bernanke after Greenspan's last meeting on January 31. Minutes from both meetings indicate that the Fed may be closed to ending the increases to interest rates, with the market expecting at least one more 25 basis point increase at the May 10<sup>th</sup> FOMC meeting. The yield curve is no longer inverted from the 6-month bill; it has returned to being flat from the 6-month bill to the 30-year bond.

For quarter ended March 31, 2006, portfolio statistics are as follows:

• Portfolio Book Value	\$219,666,719.96
• Portfolio Market Value	\$216,566,420.28
• Unrealized Loss	\$(3,100,299.68)
• Average Yield-to-Maturity	3.179%
• Liquidity (0 – 6-months)	33.54%
• Average Days to Maturity	340 (.94 years)
• Year-to-Date Earnings	\$4,569,402.59
• Year-to-Date Capital Gains/(Losses)	\$0.00

In compliance with the California Code Section 53646, I hereby certify that sufficient investment liquidity and anticipated revenues are available to meet the City's budgeted expenditure requirements for the next six months. I also certify that investments in the City's portfolio meet the requirements of the City of Oceanside's adopted investment policy and the California Government Code section 53601. Market prices are obtained from Bank of New York and the State Treasurer's Office (LAIF).

Respectfully submitted,

*ROSEMARY R. JONES*   
ROSEMARY R. JONES, CCMT  
CITY TREASURER

**CITY OF OCEANSIDE  
PORTFOLIO SUMMARY  
FOR QUARTER ENDED MARCH 31, 2006**

INVESTMENT TYPE	FACE VALUE	BOOK VALUE	MARKET VALUE	YIELD TO MATURITY	AVERAGE DAYS TO MATURITY	PERCENT OF PORTFOLIO
<b>Quarter Ended March 31, 2006</b>						
LAIIF	\$ 10,250,000.00	\$ 10,250,000.00	\$ 10,225,322.71	4.142%	1	4.67%
Treasury Securities - Coupon	4,000,000.00	3,988,699.13	3,955,160.00	3.986%	487	1.82%
Federal Agency Non - Callable	150,395,000.00	150,065,379.67	147,797,192.94	3.008%	359	68.32%
Federal Agency - Callable	48,985,000.00	48,966,616.16	48,198,194.63	3.236%	368	22.29%
Federal Agency - Discount Notes	6,500,000.00	6,396,025.00	6,390,550.00	4.683%	126	2.91%
<b>Total Investments</b>	<b>\$ 220,130,000.00</b>	<b>\$ 219,666,719.96</b>	<b>\$ 216,566,420.28</b>	<b>3.178%</b>	<b>340</b>	<b>100.00%</b>
<b>Unrealized Gain/(Loss) (Market Value - Book Value)</b>			<b>(3,100,299.68)</b>			
<b>Plus Accrued Interest</b>			<b>\$ 1,435,990.97</b>			
<b>Portfolio Liquidation Unrealized Gain/(Loss)</b>			<b>\$ (1,664,308.71)</b>			

**Prior Period Comparisons**

	FACE VALUE	BOOK VALUE	MARKET VALUE	YIELD TO MATURITY	AVERAGE DAYS TO MATURITY
<b>Quarter Ended December 31, 2005</b>					
Investment Totals	\$ 216,450,000.00	\$ 216,272,459.89	\$ 212,996,710.02	2.889%	321
Unrealized Gain/(Loss) (Market Value - Book Value)			(3,275,749.87)		
Plus Accrued Interest			1,273,268.53		
<b>Portfolio Liquidation Unrealized Gain/(Loss)</b>			<b>\$ (2,002,481.34)</b>		
<b>Quarter and Year Ended March 31, 2005</b>					
Investment Totals	\$ 217,125,000.00	\$ 216,906,505.38	\$ 213,117,323.49	2.690%	544
Unrealized Gain/(Loss) (Market Value - Book Value)			(3,789,181.89)		
Plus Accrued Interest			1,347,464.37		
<b>Portfolio Liquidation Unrealized Gain/(Loss)</b>			<b>\$ (2,441,717.52)</b>		

# **TREASURER'S REPORT**



# **PORTFOLIO DETAILS**

***As Of March 31, 2006***

**Oceanside Quarterly Report**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**March 31, 2006**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to Maturity	Maturity Date
<b>LAIF</b>												
SYS18000	18000	Local Agency Investment Fund			4,750,000.00	4,738,564.18	4,750,000.00	4.142		4.142	1	
SYS18001	18001	Local Agency Investment Fund			5,500,000.00	5,486,758.53	5,500,000.00	4.142		4.142	1	
		<b>Subtotal and Average</b>	<b>9,838,709.68</b>		<b>10,250,000.00</b>	<b>10,225,322.71</b>	<b>10,250,000.00</b>			<b>4.142</b>	<b>1</b>	
<b>Treasury Securities - Coupon</b>												
912828DJ6	05-0032	U.S. Treasury Note		02/18/2005	2,000,000.00	1,971,800.00	1,995,582.43	3.125		3.400	305	01/31/2007
912828EU0	06-0019	U.S. Treasury Note		02/02/2006	1,000,000.00	991,680.00	997,914.88	4.375		4.495	670	01/31/2008
912828EU0	06-0020	U.S. Treasury Note		02/10/2006	1,000,000.00	991,680.00	995,201.82	4.375		4.651	670	01/31/2008
		<b>Subtotal and Average</b>	<b>11,729,226.89</b>		<b>4,000,000.00</b>	<b>3,955,160.00</b>	<b>3,988,699.13</b>			<b>3.986</b>	<b>487</b>	
<b>Federal Agency - Non Callable</b>												
31359MQZ9	03-0062	Federal National Mortgage Assc		03/14/2003	1,000,000.00	999,062.50	999,970.14	2.125		2.199	14	04/15/2006
31359MQZ9	03-0063	Federal National Mortgage Assc		03/14/2003	2,000,000.00	1,998,125.00	1,999,936.49	2.125		2.203	14	04/15/2006
31359MQZ9	03-0064	Federal National Mortgage Assc		03/14/2003	2,000,000.00	1,998,125.00	1,999,936.49	2.125		2.203	14	04/15/2006
31331TF71	04-0115	Federal Farm Credit Bank		04/26/2004	1,000,000.00	998,125.00	999,993.06	2.200		2.210	25	04/26/2006
3128X26P5	04-0110	Federal Home Loan Mort Corp		04/27/2004	1,000,000.00	997,980.00	1,000,000.00	2.000		2.000	26	04/27/2006
3128X3BU6	04-0111	Federal Home Loan Mort Corp		04/28/2004	1,000,000.00	998,125.00	1,000,000.00	2.270		2.270	27	04/28/2006
3128X3DJ9	04-0119	Federal Home Loan Mort Corp		04/28/2004	1,000,000.00	998,240.00	1,000,000.00	2.500		2.500	27	04/28/2006
3136F42L7	05-0002	Federal National Mortgage Assc		07/22/2004	1,000,000.00	997,500.00	999,422.40	2.200		2.870	32	05/03/2006
3136F44B7	04-0074	Federal National Mortgage Assc		02/05/2004	1,000,000.00	997,500.00	1,000,000.00	2.210		2.211	34	05/05/2006
31331TM73	04-0075	Federal National Mortgage Assc		02/05/2004	1,000,000.00	997,500.00	1,000,000.00	2.210		2.211	34	05/05/2006
31359MRV7	04-0125	Federal Farm Credit Bank		05/18/2004	1,000,000.00	996,875.00	999,961.49	2.500		2.530	47	05/18/2006
31331QP43	04-0067	Federal National Mortgage Assc		01/05/2005	1,000,000.00	995,937.50	998,538.34	2.250		3.235	55	05/26/2006
31339XCC6	05-0029	Federal Farm Credit Bank		12/17/2003	1,945,000.00	1,935,882.81	1,945,000.00	2.210		2.500	65	06/05/2006
31331QP27	03-0089	Federal Home Loan Bank		01/12/2005	1,000,000.00	994,375.00	997,660.91	2.010		3.286	69	06/09/2006
31359MSE4	04-0108	Federal Farm Credit Bank		06/12/2003	2,000,000.00	1,988,750.00	2,000,000.00	2.050		2.050	72	06/12/2006
3136F3YD2	03-0097	Federal National Mortgage Assc		04/02/2004	1,000,000.00	993,437.50	1,000,000.00	1.750		2.000	76	06/16/2006
31339XGZ1	03-0092	Federal National Mortgage Assc		06/19/2003	1,000,000.00	994,062.50	1,000,000.00	2.150		2.150	79	06/19/2006
31331SKN2	05-0025	Federal Home Loan Bank		06/26/2003	1,000,000.00	993,437.50	1,000,000.00	2.100		2.100	86	06/26/2006
3133X9UN8	05-0023	Federal Farm Credit Bank		12/27/2004	1,000,000.00	995,312.50	999,893.30	3.000		3.046	87	06/27/2006
31331TPC9	04-0069	Federal Home Loan Bank		12/30/2004	1,000,000.00	995,625.00	1,000,000.00	3.180		3.180	90	06/30/2006
31339XSH8	04-0001	Federal Farm Credit Bank		01/06/2004	1,000,000.00	993,750.00	1,000,000.00	2.510		2.510	96	07/06/2006
3128X1QU4	04-0009	Federal Home Loan Bank		07/03/2003	2,000,000.00	1,984,375.00	2,000,000.00	2.000		2.005	97	07/07/2006
31339Y2Q4	04-0004	Federal Home Loan Mort Corp		07/08/2003	1,000,000.00	992,187.50	1,000,000.00	2.000		2.120	97	07/07/2006
31339Y6C1	04-0005	Federal Home Loan Bank		07/16/2003	1,000,000.00	991,562.50	1,000,000.00	2.000		2.000	104	07/14/2006
3128X1QH3	04-0011	Federal Home Loan Bank		07/14/2003	1,000,000.00	991,875.00	1,000,000.00	2.125		2.125	104	07/14/2006
3128X1RW9	04-0014	Federal Home Loan Mort Corp		07/14/2003	1,000,000.00	991,670.00	1,000,000.00	2.000		2.130	104	07/14/2006
		<b>Subtotal and Average</b>			<b>1,000,000.00</b>	<b>991,800.00</b>	<b>1,000,000.00</b>	<b>2.050</b>		<b>2.150</b>	<b>104</b>	<b>07/14/2006</b>

**Oceanside Quarterly Report**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**March 31, 2006**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to Maturity	Maturity Date
<b>Federal Agency - Non Callable</b>												
3136F3V60	04-0073	Federal National Mortgage Assc		01/23/2004	1,820,000.00	1,804,643.75	1,820,000.00	2.150		2.282	111	07/21/2006
3128X1SP3	04-0017	Federal Home Loan Mort Corp		07/28/2003	1,000,000.00	990,930.00	1,000,000.00	2.125		2.150	118	07/28/2006
3136F33Q7	04-0015	Federal National Mortgage Assc		08/04/2003	2,000,000.00	1,982,500.00	2,000,000.00	2.410		2.410	125	08/04/2006
3136F33Q7	04-0028	Federal National Mortgage Assc		08/08/2003	1,000,000.00	991,250.00	1,000,000.00	2.410		2.576	125	08/04/2006
3128X2QK4	04-0071	Federal Home Loan Mort Corp		02/09/2004	1,000,000.00	991,370.00	1,000,000.00	2.500		2.500	130	08/09/2006
3136F34T0	04-0021	Federal National Mortgage Assc		08/11/2003	1,000,000.00	991,250.00	1,000,000.00	2.500		2.500	132	08/11/2006
3136F34T0	04-0043	Federal National Mortgage Assc		09/02/2003	1,000,000.00	991,250.00	1,000,000.00	2.500		2.840	132	08/11/2006
3133X06K0	04-0120	Federal Home Loan Bank		04/23/2004	1,000,000.00	990,625.00	999,117.77	2.375		2.620	136	08/15/2006
3136F45G5	04-0077	Federal National Mortgage Assc		02/17/2004	1,975,000.00	1,956,484.38	1,975,000.00	2.420		2.510	138	08/17/2006
3128X2WL5	04-0082	Federal Home Loan Mort Corp		02/24/2004	1,000,000.00	990,380.00	1,000,000.00	2.500		2.521	145	08/24/2006
31331TSN2	04-0078	Federal Farm Credit Bank		02/25/2004	2,000,000.00	1,981,250.00	2,000,000.00	2.560		2.560	146	08/25/2006
31331QWK9	04-0114	Federal Farm Credit Bank		04/16/2004	2,900,000.00	2,867,375.00	2,897,659.14	2.250		2.450	153	09/01/2006
3133X14N4	05-0001	Federal Home Loan Bank		07/22/2004	1,000,000.00	990,312.50	999,360.28	2.875		3.020	167	09/15/2006
31331TXE6	04-0094	Federal Farm Credit Bank		03/29/2004	1,000,000.00	985,312.50	1,000,000.00	2.070		2.070	181	09/29/2006
3136F5JT9	04-0095	Federal National Mortgage Assc		03/29/2004	1,000,000.00	985,312.50	1,000,000.00	2.070		2.070	181	09/29/2006
3133X5CM8	04-0098	Federal Home Loan Bank		04/12/2004	1,000,000.00	984,687.50	1,000,000.00	2.140		2.153	194	10/12/2006
31331SMC4	05-0031	Federal Farm Credit Bank		01/27/2005	1,000,000.00	990,000.00	999,459.57	3.250		3.354	200	10/18/2006
31331TGE5	04-0050	Federal Farm Credit Bank		10/27/2003	1,000,000.00	986,250.00	1,000,000.00	2.660		2.660	209	10/27/2006
31331TGE5	04-0052	Federal Farm Credit Bank		10/27/2003	1,000,000.00	986,250.00	1,000,000.00	2.660		2.660	209	10/27/2006
3136F6HR3	05-0018	Federal National Mortgage Assc		11/10/2004	1,000,000.00	987,500.00	1,000,000.00	3.000		3.138	222	11/09/2006
31331TQQ7	04-0072	Federal Farm Credit Bank		02/13/2004	1,950,000.00	1,919,531.25	1,950,000.00	2.520		2.525	226	11/13/2006
3133X2B46	06-0010	Federal Home Loan Bank		01/13/2006	1,000,000.00	988,325.30	988,325.30	2.750		2.700	228	11/15/2006
31331TMB4	04-0062	Federal Farm Credit Bank		11/24/2003	2,000,000.00	1,969,375.00	2,000,000.00	2.700		2.700	237	11/24/2006
31331TMB4	05-0033	Federal Farm Credit Bank		02/18/2005	1,000,000.00	984,687.50	997,358.60	2.700		3.121	237	11/24/2006
31331TJ69	04-0121	Federal Farm Credit Bank		05/24/2004	900,000.00	888,187.50	900,000.00	3.020		3.020	239	11/26/2006
31331TL82	04-0127	Federal Farm Credit Bank		05/28/2004	1,000,000.00	986,562.50	1,000,000.00	3.040		3.071	242	11/29/2006
31331SFW8	05-0019	Federal Farm Credit Bank		12/01/2004	2,000,000.00	1,973,750.00	2,000,000.00	3.125		3.190	244	12/01/2006
3128X1DE4	03-0082	Federal Home Loan Mort Corp		06/04/2003	1,000,000.00	982,812.50	1,000,000.00	2.500		2.500	247	12/04/2006
3128X1GF8	03-0094	Federal Home Loan Mort Corp		06/04/2003	1,650,000.00	1,618,963.50	1,650,000.00	2.250		2.250	247	12/04/2006
3128X1GF8	04-0113	Federal Home Loan Mort Corp		04/15/2004	1,000,000.00	981,190.00	1,000,000.00	2.250		2.769	247	12/04/2006
3128X1J75	04-0081	Federal Home Loan Mort Corp		02/05/2004	1,500,000.00	1,469,730.00	1,500,000.00	2.150		2.520	256	12/13/2006
3136F3E44	03-0099	Federal National Mortgage Assc		06/30/2003	1,000,000.00	978,437.50	1,000,000.00	2.150		2.150	272	12/29/2006
3136F3G91	03-0100	Federal National Mortgage Assc		06/30/2003	1,000,000.00	978,437.50	1,000,000.00	2.125		2.125	272	12/29/2006
3128X1NN3	04-0093	Federal Home Loan Mort Corp		03/11/2004	1,935,000.00	1,891,656.00	1,935,000.00	2.050		2.205	276	01/02/2007
31331QZ75	04-0010	Federal Farm Credit Bank		07/16/2003	1,000,000.00	978,125.00	1,000,000.00	2.250		2.325	290	01/16/2007
3136F3L46	04-0086	Federal National Mortgage Assc		02/27/2004	1,375,000.00	1,344,062.50	1,375,000.00	2.180		2.435	290	01/16/2007
3133XBKW4	05-0035	Federal Home Loan Bank		04/26/2005	1,000,000.00	990,937.50	1,000,000.00	4.000		4.003	300	01/26/2007
31339YR53	04-0012	Federal Home Loan Bank		07/30/2003	1,000,000.00	978,125.00	1,000,000.00	2.415		2.415	304	01/30/2007

# Oceanside Quarterly Report

## Portfolio Management

### Portfolio Details - Investments

#### March 31, 2006

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to Maturity	Maturity Date
<b>Federal Agency - Non Callable</b>												
31339YNY4	04-0013	Federal Home Loan Bank		07/30/2003	1,000,000.00	977,812.50	1,000,000.00	2.370		2.393	304	01/30/2007
3128X1VW4	04-0020	Federal Home Loan Mort Corp		07/30/2003	2,000,000.00	1,961,780.00	2,000,000.00	2.750		2.750	304	01/30/2007
3136F36F8	04-0026	Federal National Mortgage Assc		08/12/2003	1,000,000.00	982,187.50	1,000,000.00	3.010		3.010	317	02/12/2007
31331TTN1	04-0122	Federal Farm Credit Bank		04/27/2004	1,440,000.00	1,406,250.00	1,434,771.27	2.550		2.969	332	02/27/2007
3128X4HQ7	06-0014	Federal Home Loan Mort Corp		01/20/2006	2,000,000.00	1,984,320.00	1,992,605.53	4.250		4.670	333	02/28/2007
3136F6CP2	05-0013	Federal National Mortgage Assc		10/20/2004	2,000,000.00	1,962,500.00	2,000,000.00	3.100		3.126	347	03/14/2007
3128X3XZ1	05-0009	Federal Home Loan Mort Corp		09/30/2004	1,000,000.00	979,670.00	1,000,000.00	3.000		3.157	361	03/28/2007
3128X22W4	04-0100	Federal Home Loan Mort Corp		03/29/2004	1,000,000.00	973,900.00	1,000,000.00	2.400		2.465	362	03/29/2007
3133XB5Z4	05-0037	Federal Home Loan Bank		05/16/2005	1,000,000.00	989,062.50	999,581.16	4.000		4.041	369	04/05/2007
31339XWS9	04-0003	Federal Home Loan Bank		07/10/2003	1,000,000.00	972,812.50	1,000,000.00	2.375		2.375	374	04/10/2007
3136F5PV7	04-0109	Federal National Mortgage Assc		04/19/2004	1,000,000.00	976,562.50	1,000,000.00	2.820		2.820	383	04/19/2007
3136F5RC7	04-0117	Federal National Mortgage Assc		04/26/2004	1,000,000.00	976,875.00	1,000,000.00	2.875		3.023	390	04/26/2007
31339YM74	04-0007	Federal Home Loan Bank		07/30/2003	1,000,000.00	972,812.50	1,000,000.00	2.500		2.500	394	04/30/2007
3128X3EL3	04-0123	Federal Home Loan Mort Corp		05/17/2004	1,000,000.00	980,230.00	1,000,000.00	3.300		3.311	411	05/17/2007
3136F5VB4	04-0116	Federal National Mortgage Assc		05/18/2004	1,000,000.00	977,187.50	1,000,000.00	3.150		3.150	412	05/18/2007
3136F5VB4	04-0126	Federal National Mortgage Assc		05/18/2004	1,000,000.00	977,187.50	1,000,000.00	3.150		3.399	412	05/18/2007
3133X9EZ9	05-0016	Federal Home Loan Bank		12/01/2004	1,000,000.00	979,062.50	1,000,000.00	3.250		3.250	426	06/01/2007
3133X9KJ8	05-0020	Federal Home Loan Bank		12/08/2004	1,000,000.00	980,937.50	1,000,000.00	3.460		3.460	436	06/08/2007
31331SHS5	05-0022	Federal Home Loan Bank		12/29/2004	1,000,000.00	981,250.00	1,000,000.00	3.550		3.550	454	06/29/2007
31331SKG7	05-0024	Federal Farm Credit Bank		01/13/2005	1,000,000.00	980,000.00	1,000,000.00	3.500		3.500	468	07/13/2007
31331Q7K7	04-0025	Federal Farm Credit Bank		08/13/2003	1,000,000.00	976,250.00	1,000,000.00	3.300		3.300	499	08/13/2007
3133X9HT0	05-0021	Federal Home Loan Bank		11/30/2004	1,000,000.00	977,500.00	1,000,000.00	3.450		3.475	516	08/30/2007
3136F6BF5	05-0004	Federal National Mortgage Assc		09/07/2004	1,000,000.00	976,250.00	1,000,000.00	3.375		3.441	524	09/07/2007
3136F6BF5	05-0017	Federal National Mortgage Assc		11/09/2004	1,000,000.00	976,250.00	1,000,000.00	3.375		3.479	524	09/07/2007
3133X8FQ0	05-0003	Federal Home Loan Bank		09/14/2004	2,000,000.00	1,951,250.00	2,000,000.00	3.350		3.350	531	09/14/2007
31331TYF2	04-0091	Federal Farm Credit Bank		03/10/2004	2,000,000.00	1,932,500.00	1,997,974.05	2.625		2.699	534	09/17/2007
3128X36R9	05-0040	Federal Home Loan Mort Corp		06/13/2005	1,000,000.00	983,430.00	999,797.12	4.050		4.062	541	09/24/2007
3136F5NF4	04-0105	Federal National Mortgage Assc		04/05/2004	2,000,000.00	1,930,000.00	2,000,000.00	2.670		2.670	552	10/05/2007
31331TAD3	04-0097	Federal Farm Credit Bank		04/15/2004	1,000,000.00	963,437.50	1,000,000.00	2.590		2.590	562	10/15/2007
31331TYR6	04-0101	Federal Farm Credit Bank		04/22/2004	1,900,000.00	1,829,937.50	1,900,000.00	2.610		2.616	569	10/22/2007
3136F5RK9	05-0011	Federal National Mortgage Assc		10/04/2004	1,000,000.00	970,625.00	1,000,000.00	3.125		3.424	573	10/26/2007
3136F6JEO	05-0012	Federal National Mortgage Assc		11/01/2004	2,000,000.00	1,946,250.00	2,000,000.00	3.300		3.335	579	11/01/2007
3133X8L77	05-0006	Federal Home Loan Bank		09/28/2004	1,000,000.00	974,062.50	1,000,000.00	3.510		3.511	636	12/28/2007
31359MQP1	05-0005	Federal National Mortgage Assc		09/07/2004	1,000,000.00	972,812.50	1,000,000.00	3.500		3.624	667	01/28/2008
31331SDW0	05-0015	Federal Farm Credit Bank		11/01/2004	1,000,000.00	966,250.00	1,000,000.00	3.125		3.126	671	02/01/2008
3128X0L31	05-0010	Federal Home Loan Mort Corp		09/30/2004	1,000,000.00	965,937.50	1,000,000.00	3.250		3.475	695	02/25/2008
3128X3XX6	05-0008	Federal Home Loan Mort Corp		09/21/2004	2,000,000.00	1,941,250.00	2,000,000.00	3.500		3.500	723	03/24/2008
3128X03N7	05-0007	Federal Home Loan Mort Corp		09/16/2004	2,000,000.00	1,940,625.00	2,000,000.00	3.500		3.560	731	04/01/2008

**Oceanside Quarterly Report**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**March 31, 2006**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to Maturity	Maturity Date
<b>Federal Agency - Non Callable</b>												
3128X3D91	05-0014	Federal Home Loan Mort Corp		10/25/2004	3,000,000.00	2,911,980.00	3,000,000.00	3.560		3.560	755	04/25/2008
3136F3D94	04-0102	Federal National Mortgage Assc		03/30/2004	1,000,000.00	952,500.00	997,380.91	2.800		2.924	822	07/01/2008
31339YV1	06-0016	Federal Home Loan Bank		01/23/2006	2,250,000.00	2,169,843.75	2,188,942.32	3.375		4.635	842	07/21/2008
3133X0LJ6	06-0011	Federal Home Loan Bank		01/19/2006	2,000,000.00	1,940,625.00	1,962,538.36	3.750		4.595	867	08/15/2008
3133X0EP0	06-0009	Federal Home Loan Bank		01/12/2006	1,000,000.00	971,562.50	979,302.48	3.780		4.705	877	08/25/2008
3133XC5A2	06-0008	Federal Home Loan Bank		01/12/2006	1,000,000.00	981,875.00	989,648.25	4.250		4.701	895	09/12/2008
3133XCZS5	06-0012	Federal Home Loan Bank		01/19/2006	2,000,000.00	1,963,125.00	1,984,104.73	4.250		4.590	909	09/26/2008
3133XCZS5	06-0013	Federal Home Loan Bank		01/20/2006	2,000,000.00	1,963,125.00	1,982,581.78	4.250		4.623	909	09/26/2008
31331VDG8	06-0017	Federal Farm Credit Bank		01/26/2006	2,000,000.00	1,977,500.00	1,997,403.64	4.580		4.632	933	10/20/2008
3128X16N2	06-0015	Federal Home Loan Mort Corp		01/23/2006	1,355,000.00	1,302,493.75	1,330,109.04	3.875		4.632	954	11/10/2008
31359MTQ6	06-0023	Federal National Mortgage Assc		02/17/2006	1,000,000.00	969,687.50	973,808.22	3.875		4.951	961	11/17/2008
31331TNK3	06-0027	Federal Farm Credit Bank		03/29/2006	1,000,000.00	963,125.00	966,977.67	3.700		5.016	991	12/17/2008
31331SM75	06-0022	Federal Farm Credit Bank		02/17/2006	1,500,000.00	1,456,406.25	1,461,259.86	3.950		4.964	1,010	01/05/2009
<b>Subtotal and Average</b>					<b>150,395,000.00</b>	<b>147,797,192.94</b>	<b>150,065,379.67</b>			<b>3.008</b>	<b>359</b>	

**Federal Agency - Callable**

31331TKP5	04-0058	Federal Farm Credit Bank		11/19/2003	1,000,000.00	996,875.00	1,000,000.00	2.650		2.681	48	05/19/2006
31331TKP5	04-0061	Federal Farm Credit Bank		11/19/2003	1,000,000.00	996,875.00	1,000,000.00	2.650		2.741	48	05/19/2006
31331Q4Y0	04-0063	Federal Farm Credit Bank		11/25/2003	1,935,000.00	1,918,673.44	1,933,203.24	2.150		2.465	111	07/21/2006
3133MYW86	03-0083	Federal Home Loan Bank		05/28/2003	1,000,000.00	989,687.50	1,000,000.00	2.400		2.412	149	08/28/2006
3133MYW52	03-0088	Federal Home Loan Bank		06/05/2003	1,000,000.00	989,375.00	1,000,000.00	2.500		2.501	157	09/05/2006
3133MYH4	03-0084	Federal Home Loan Bank		06/11/2003	1,000,000.00	988,750.00	1,000,000.00	2.460		2.461	163	09/11/2006
31359MK51	06-0028	Federal National Mortgage Assc		03/31/2006	1,000,000.00	987,500.00	999,840.00	5.200		5.231	180	09/28/2006
3133X4VR9	04-0096	Federal Home Loan Bank		03/29/2004	1,000,000.00	987,500.00	1,000,000.00	2.560		2.482	181	09/29/2006
3128X07M5	03-0076	Federal Home Loan Bank		05/06/2003	1,000,000.00	987,940.00	1,000,000.00	3.050		3.059	219	11/06/2006
3128X06F1	03-0075	Federal Home Loan Mort Corp		05/07/2003	1,500,000.00	1,481,820.00	1,500,000.00	3.050		3.058	220	11/07/2006
3136F3TA4	04-0019	Federal Home Loan Mort Corp		07/24/2003	2,000,000.00	1,971,875.00	2,000,000.00	2.800		2.799	226	11/13/2006
3128X1GQ4	03-0085	Federal National Mortgage Assc		06/11/2003	1,000,000.00	981,980.00	1,000,000.00	2.450		2.450	254	12/11/2006
31339X3N2	03-0087	Federal Home Loan Mort Corp		06/12/2003	1,000,000.00	982,187.50	1,000,000.00	2.500		2.530	255	12/12/2006
31339XK29	03-0093	Federal Home Loan Bank		06/26/2003	1,000,000.00	981,250.00	1,000,000.00	2.500		2.500	269	12/26/2006
3128X1LY1	03-0098	Federal Home Loan Mort Corp		06/26/2003	2,000,000.00	1,959,660.00	2,000,000.00	2.300		2.300	269	12/26/2006
31331TMN8	04-0066	Federal Farm Credit Bank		12/29/2003	1,000,000.00	985,000.00	1,000,000.00	3.040		3.040	272	12/29/2006
31339XTT1	04-0002	Federal Home Loan Bank		07/09/2003	1,000,000.00	978,437.50	1,000,000.00	2.250		2.250	283	01/09/2007
3133XA460	05-0026	Federal Home Loan Bank		01/10/2005	1,000,000.00	986,875.00	1,000,000.00	3.375		3.375	284	01/10/2007
3128X1SV0	04-0008	Federal Home Loan Mort Corp		07/29/2003	1,000,000.00	979,531.25	1,000,000.00	2.580		2.580	303	01/29/2007
3136F3W28	04-0016	Federal National Mortgage Assc		07/30/2003	1,000,000.00	978,750.00	1,000,000.00	2.500		2.500	304	01/30/2007
3136F5DG3	04-0084	Federal National Mortgage Assc		02/27/2004	1,500,000.00	1,465,312.50	1,500,000.00	2.500		2.641	332	02/27/2007
3136F5FW6	04-0087	Federal National Mortgage Assc		03/08/2004	1,000,000.00	976,250.00	1,000,000.00	2.500		2.622	341	03/08/2007
<b>Subtotal and Average</b>					<b>151,055,670.95</b>	<b>147,797,192.94</b>	<b>150,065,379.67</b>			<b>3.008</b>	<b>359</b>	

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**Oceanside Quarterly Report**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**March 31, 2006**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to Maturity	Maturity Date
<b>Federal Agency - Callable</b>												
3128X1QG5	03-0101	Federal Home Loan Mort Corp		06/30/2003	1,000,000.00	973,610.00	1,000,000.00	2.380		2.380	363	03/30/2007
3128X1AT4	03-0080	Federal Home Loan Mort Corp		05/14/2003	1,000,000.00	979,810.00	1,000,000.00	3.250		3.250	408	05/14/2007
3133XBQ65	05-0036	Federal Home Loan Bank		05/13/2005	1,000,000.00	986,562.50	1,000,000.00	4.000		4.000	409	05/15/2007
3133X03W7	04-0018	Federal Home Loan Bank		08/18/2003	1,875,000.00	1,832,226.56	1,875,000.00	3.030		3.031	412	05/18/2007
3133XBXU4	05-0038	Federal Home Loan Bank		06/13/2005	1,000,000.00	986,250.00	999,625.00	4.000		4.033	438	06/13/2007
3133XBXU4	05-0039	Federal Home Loan Bank		06/13/2005	2,000,000.00	1,972,500.00	2,000,000.00	4.000		4.000	438	06/13/2007
3133XC7E7	05-0041	Federal Home Loan Bank		06/29/2005	1,000,000.00	986,562.50	1,000,000.00	4.000		4.000	454	06/29/2007
3128X2E50	04-0085	Federal Home Loan Mort Corp		03/17/2004	2,000,000.00	1,943,820.00	2,000,000.00	3.100		3.100	534	09/17/2007
3128X2Q24	04-0092	Federal Home Loan Mort Corp		03/17/2004	1,000,000.00	972,600.00	1,000,000.00	3.150		3.150	534	09/17/2007
3128X2K95	04-0088	Federal Home Loan Mort Corp		03/18/2004	1,000,000.00	970,468.75	1,000,000.00	3.000		3.000	535	09/18/2007
3128X22Y0	04-0099	Federal Home Loan Mort Corp		04/05/2004	1,425,000.00	1,377,875.25	1,425,000.00	2.800		2.805	552	10/05/2007
3128X25L5	04-0106	Federal Home Loan Mort Corp		04/12/2004	1,250,000.00	1,208,175.00	1,250,000.00	2.800		2.831	559	10/12/2007
3128X25Y7	04-0107	Federal Home Loan Mort Corp		04/19/2004	1,000,000.00	967,890.00	1,000,000.00	2.920		2.920	566	10/19/2007
3133XD7W1	06-0018	Federal Home Loan Bank		02/03/2006	1,000,000.00	995,312.50	999,004.10	4.900		4.960	599	11/21/2008
31359ME82	06-0030	Federal National Mortgage Assc		03/31/2006	1,250,000.00	1,243,359.38	1,244,375.00	4.875		5.139	650	01/11/2008
3128X4M65	06-0029	Federal Home Loan Mort Corp		03/31/2006	1,000,000.00	996,510.00	997,812.50	5.125		5.244	697	02/27/2008
31359MG49	06-0031	Federal National Mortgage Assc		03/31/2006	1,250,000.00	1,245,312.50	1,246,250.00	5.000		5.165	697	02/27/2008
3133XETW9	06-0025	Federal Home Loan Bank		03/07/2006	1,000,000.00	998,125.00	998,489.66	5.100		5.183	705	03/06/2008
3128X4Q79	06-0026	Federal Home Loan Mort Corp		03/14/2006	1,000,000.00	997,870.00	998,016.66	5.100		5.208	713	03/14/2008
		<b>Subtotal and Average</b>	<b>44,011,045.83</b>		<b>48,985,000.00</b>	<b>48,198,194.63</b>	<b>48,966,616.16</b>			<b>3.236</b>	<b>368</b>	
<b>Federal Agency Disc. - Amortizing</b>												
313385YB6	06-0006	Federal Home Loan Bank		12/15/2005	1,500,000.00	1,485,750.00	1,486,587.50	4.350		4.509	74	06/14/2006
313385YL4	06-0007	Federal Home Loan Bank		12/27/2005	2,000,000.00	1,978,600.00	1,979,665.00	4.410		4.571	83	06/23/2006
313397G70	06-0021	Federal Home Loan Mort Corp		02/14/2006	1,500,000.00	1,464,750.00	1,466,432.50	4.630		4.793	174	09/22/2006
313385J56	06-0024	Federal Home Loan Bank		03/01/2006	1,500,000.00	1,461,450.00	1,463,340.00			4.900	188	10/06/2006
		<b>Subtotal and Average</b>	<b>6,770,657.34</b>		<b>6,500,000.00</b>	<b>6,390,550.00</b>	<b>6,396,025.00</b>			<b>4.683</b>	<b>126</b>	
		<b>Total and Average</b>	<b>223,405,310.69</b>		<b>220,130,000.00</b>	<b>216,566,420.28</b>	<b>219,666,719.96</b>			<b>3.179</b>	<b>340</b>	

Oceanside Quarterly Report  
 Portfolio Management  
 Portfolio Details - Cash  
 March 31, 2006

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to Maturity
		Average Balance	0.00	Accrued Interest at Purchase		103,119.54	103,119.54				0
		Subtotal				103,119.54	103,119.54				
		Total Cash and Investments	223,405,310.69		220,130,000.00	216,669,539.82	219,769,839.50			3.179	340

# **TREASURER'S REPORT**



# **INVESTMENT TRANSACTIONS**

**01/01/06 Through 03/31/06**

**Oceanside Quarterly Report  
Purchases Report  
Sorted by Fund - Fund  
January 1, 2006 - March 31, 2006**

CUSIP	Investment #	Fund	Sec. Type	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
<b>Undefined Fund</b>												
3133XCSA2	06-0008		NCB FHLB	1,000,000.00	01/12/2006	03/12 - 09/12	988,720.00	Received	4.250	09/12/2008	4.701	989,648.25
3133XQEP0	06-0009		NCB FHLB	1,000,000.00	01/12/2006	02/25 - 08/25	977,410.00	Received	3.780	08/25/2008	4.705	979,302.48
3133X2B46	06-0010		NCB FHLB	1,000,000.00	01/13/2006	05/15 - 11/15	984,260.00	4,430.56	2.750	11/15/2006	4.681	988,325.30
3133X0LJ6	06-0011		NCB FHLB	2,000,000.00	01/19/2006	02/15 - 08/15	1,959,390.00	Received	3.750	08/15/2008	4.595	1,962,538.36
3133XCZS5	06-0012		NCB FHLB	2,000,000.00	01/19/2006	03/26 - 09/26	1,982,826.00	Received	4.250	09/26/2008	4.590	1,984,104.73
3133XCZS5	06-0013		NCB FHLB	2,000,000.00	01/20/2006	03/26 - 09/26	1,981,200.00	Received	4.250	09/26/2008	4.623	1,982,581.78
3128X4HQ7	06-0014		NCB FHLB	2,000,000.00	01/20/2006	02/28 - 08/28	1,991,000.00	Received	4.250	02/28/2008	4.670	1,992,605.53
31339YV1	06-0016		NCB FHLB	2,250,000.00	01/23/2006	07/21 - 01/21	2,183,940.00	421.88	3.375	07/21/2008	4.635	2,188,942.32
3128X16N2	06-0015		NCB FHLB	1,355,000.00	01/23/2006	05/10 - 11/10	1,328,306.50	10,647.10	3.875	11/10/2008	4.632	1,330,109.04
31331VDG8	06-0017		NCB FHLB	2,000,000.00	01/23/2006	04/20 - 10/20	1,997,220.00	24,426.67	4.580	10/20/2008	4.632	1,997,403.64
912828EU0	06-0019		TRC TN	1,000,000.00	02/02/2006	07/31 - 01/31	997,734.38	241.71	4.375	01/31/2008	4.495	997,914.88
3133XDTW1	06-0018		FAC FHLB	1,000,000.00	02/03/2006	05/21 - 11/21	998,906.20	9,800.00	4.900	11/21/2007	4.960	999,004.10
912828EU0	06-0020		TRC TN	1,000,000.00	02/03/2006	07/31 - 01/31	994,843.75	1,208.56	4.375	01/31/2008	4.651	995,201.82
31339TG70	06-0021		AFD FHLB	1,500,000.00	02/10/2006	07/31 - 01/31	1,457,558.33		4.630	09/22/2006	4.793	1,466,432.50
31331SM75	06-0022		NCB FFCB	1,500,000.00	02/14/2006	09/22 - At Maturity	1,459,545.00	6,912.50	3.950	01/05/2009	4.964	1,461,259.86
31359MTQ6	06-0023		NCB FNMA	1,500,000.00	02/17/2006	07/05 - 01/05	972,590.00	9,687.50	3.875	11/17/2008	4.951	973,808.22
313385J56	06-0024		AFD FHLB	1,500,000.00	03/01/2006	05/17 - 11/17	1,457,295.00		5.100	10/06/2006	4.900	1,463,340.00
3133XETW9	06-0025		FAC FHLB	1,000,000.00	03/07/2006	09/06 - 03/06	998,437.50	141.67	5.100	03/06/2008	5.183	998,489.66
3128X4Q79	06-0026		FAC FHLB	1,000,000.00	03/14/2006	09/14 - 03/14	997,968.70		5.100	03/14/2008	5.208	998,016.66
31331TNK3	06-0027		NCB FFCB	1,000,000.00	03/29/2006	06/17 - 12/17	966,910.00	10,483.33	3.700	12/17/2008	5.016	966,977.67
3128X4M65	06-0029		FAC FHLB	1,000,000.00	03/31/2006	08/27 - 02/27	997,812.50	4,840.28	5.125	02/27/2008	5.244	997,812.50
31359MK51	06-0028		FAC FNMA	1,000,000.00	03/31/2006	09/28 - Final Pmt.	999,840.00	433.33	5.200	09/28/2006	5.231	999,840.00
31359ME82	06-0030		FAC FNMA	1,250,000.00	03/31/2006	07/11 - 01/11	1,244,375.00	13,541.67	4.875	01/11/2008	5.139	1,244,375.00
31359MG49	06-0031		FAC FNMA	1,250,000.00	03/31/2006	08/27 - 02/27	1,246,250.00	5,902.78	5.000	02/27/2008	5.165	1,246,250.00
<b>Subtotal</b>							<b>32,605,000.00</b>	<b>103,119.54</b>				<b>32,204,284.30</b>

**Managed Pool Deposits**

	Deposit Amount	Deposit Date	Rate
SYS18000	18000	01/03/2006	2.967
SYS18000	18000	01/04/2006	2.967
SYS18000	18000	01/06/2006	2.967
SYS18000	18000	01/09/2006	2.967
SYS18000	18000	02/15/2006	2.967
SYS18000	18000	02/28/2006	2.967

Received = Accrued Interest at Purchase was received by report ending date.

Oceanside Quarterly Report  
Purchases Report  
January 1, 2006 - March 31, 2006

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Deposit Amount	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
<b>Managed Pool Deposits</b>													
SYS18000	18000		LA1	LAIF	750,000.00	03/06/2006	750,000.00	750,000.00		2.967			
SYS18000	18000		LA1	LAIF	1,500,000.00	03/29/2006	1,500,000.00	1,500,000.00		2.967			
SYS18000	18000		LA1	LAIF	1,750,000.00	03/30/2006	1,750,000.00	1,750,000.00		2.967			
SYS18001	18001		LA1	LAIF	7,750,000.00	01/18/2006	7,750,000.00	7,750,000.00		2.967			
SYS18001	18001		LA1	LAIF	1,750,000.00	01/20/2006	1,750,000.00	1,750,000.00		2.967			
SYS18001	18001		LA1	LAIF	500,000.00	03/28/2006	500,000.00	500,000.00		2.967			
			<b>Subtotal</b>		<b>22,000,000.00</b>		<b>22,000,000.00</b>	<b>22,000,000.00</b>					<b>32,204,284.30</b>
			<b>Total Purchases and Deposits</b>		<b>54,605,000.00</b>		<b>54,164,328.86</b>	<b>54,164,328.86</b>	<b>103,119.54</b>				

# Oceanside Quarterly Report Maturity Report

## Sorted by Maturity Date

Receipts during January 1, 2006 - March 31, 2006

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
3128X1QN0	04-0034		NCB	FHLMC	1,000,000.00	01/09/2006	08/18/2003	1.660	1,000,000.00	8,300.00	1,008,300.00	8,300.00
3128X1QN0	04-0045		NCB	FHLMC	1,000,000.00	01/09/2006	09/22/2003	1.660	1,000,000.00	8,300.00	1,008,300.00	8,300.00
313385RT5	05-0030		AFD	FHLB	2,000,000.00	01/13/2006	01/19/2005	2.970	2,000,000.00	0.00	2,000,000.00	0.00
313589SQ7	06-0001		AFD	FNMA	2,000,000.00	02/03/2006	12/05/2005	4.180	2,000,000.00	0.00	2,000,000.00	0.00
3136F35A0	04-0037		NCB	FNMA	1,925,000.00	02/10/2006	08/22/2003	2.125	1,925,000.00	20,453.13	1,945,453.13	20,453.13
313589TB9	06-0002		AFD	FNMA	1,500,000.00	02/14/2006	12/14/2005	4.220	1,500,000.00	0.00	1,500,000.00	0.00
3128X2UL7	04-0076		NCB	FHLMC	1,000,000.00	02/17/2006	02/17/2004	2.160	1,000,000.00	10,800.00	1,010,800.00	10,800.00
313385TR7	06-0004		AFD	FHLB	2,000,000.00	02/28/2006	12/14/2005	4.200	2,000,000.00	0.00	2,000,000.00	0.00
313397TR2	06-0003		AFD	FNMA	2,000,000.00	02/28/2006	12/14/2005	4.250	2,000,000.00	0.00	2,000,000.00	0.00
31331TVT5	04-0089		NCB	FFCB	1,000,000.00	03/03/2006	03/05/2004	1.850	1,000,000.00	9,147.22	1,009,147.22	9,147.22
313385UE4	06-0005		AFD	FHLB	1,000,000.00	03/13/2006	12/14/2005	4.260	1,000,000.00	0.00	1,000,000.00	0.00
31331TME8	04-0064		NCB	FFCB	2,000,000.00	03/29/2006	12/29/2003	2.600	2,000,000.00	26,000.00	2,026,000.00	26,000.00
912828CD0	04-0103		TRC	TN	2,000,000.00	03/31/2006	03/31/2004	1.500	2,000,000.00	15,000.00	2,015,000.00	15,000.00
912828CD0	04-0104		TRC	TN	2,000,000.00	03/31/2006	03/31/2004	1.500	2,000,000.00	15,000.00	2,015,000.00	15,000.00
912828CD0	04-0112		TRC	TN	2,000,000.00	03/31/2006	04/15/2004	1.500	2,000,000.00	15,000.00	2,015,000.00	15,000.00
912828CD0	04-0118		TRC	TN	2,000,000.00	03/31/2006	04/22/2004	1.500	2,000,000.00	15,000.00	2,015,000.00	15,000.00
<b>Total Maturities</b>									<b>26,425,000.00</b>	<b>143,000.35</b>	<b>26,568,000.35</b>	<b>143,000.35</b>

**Oceanside Quarterly Report  
Sales/Call Report  
Sorted by Fund - Fund  
January 1, 2006 - March 31, 2006**

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date	Withdrawal Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
<b>Managed Pool Withdrawals</b>													
							Withdrawal Amount	Current Rate		Withdrawal Amount		Withdrawal Amount	
SYS18000	18000		LAIF	07/01/2005	01/12/2006		1,250,000.00	4.142		1,250,000.00		1,250,000.00	
SYS18000	18000		LAIF	07/01/2005	01/17/2006		1,500,000.00	4.142		1,500,000.00		1,500,000.00	
SYS18000	18000		LAIF	07/01/2005	01/19/2006		4,000,000.00	4.142		4,000,000.00		4,000,000.00	
SYS18000	18000		LAIF	07/01/2005	01/23/2006		2,000,000.00	4.142		2,000,000.00		2,000,000.00	
SYS18000	18000		LAIF	07/01/2005	01/26/2006		1,500,000.00	4.142		1,500,000.00		1,500,000.00	
SYS18001	18001		LAIF	07/01/2005	01/31/2006		1,000,000.00	4.142		1,000,000.00		1,000,000.00	
SYS18000	18000		LAIF	07/01/2005	02/03/2006		500,000.00	4.142		500,000.00		500,000.00	
SYS18000	18000		LAIF	07/01/2005	02/06/2006		750,000.00	4.142		750,000.00		750,000.00	
SYS18000	18000		LAIF	07/01/2005	02/17/2006		2,000,000.00	4.142		2,000,000.00		2,000,000.00	
SYS18000	18000		LAIF	07/01/2005	02/22/2006		1,750,000.00	4.142		1,750,000.00		1,750,000.00	
SYS18000	18000		LAIF	07/01/2005	02/24/2006		1,750,000.00	4.142		1,750,000.00		1,750,000.00	
SYS18000	18000		LAIF	07/01/2005	03/02/2006		250,000.00	4.142		250,000.00		250,000.00	
SYS18001	18001		LAIF	07/01/2005	03/07/2006		1,500,000.00	4.142		1,500,000.00		1,500,000.00	
SYS18001	18001		LAIF	07/01/2005	03/14/2006		1,500,000.00	4.142		1,500,000.00		1,500,000.00	
SYS18001	18001		LAIF	07/01/2005	03/15/2006		250,000.00	4.142		250,000.00		250,000.00	
SYS18001	18001		LAIF	07/01/2005	03/20/2006		1,000,000.00	4.142		1,000,000.00		1,000,000.00	
SYS18001	18001		LAIF	07/01/2005	03/21/2006		1,000,000.00	4.142		1,000,000.00		1,000,000.00	
SYS18000	18000		LAIF	07/01/2005	03/27/2006		1,000,000.00	4.142		1,000,000.00		1,000,000.00	
<b>Subtotal</b>							<b>24,500,000.00</b>			<b>24,500,000.00</b>		<b>24,500,000.00</b>	
<b>Total Sales and Withdrawals</b>							<b>24,500,000.00</b>		<b>0.00</b>	<b>24,500,000.00</b>	<b>0.00</b>	<b>24,500,000.00</b>	<b>0.00</b>

# **TREASURER'S REPORT**



**LATE ACTIVITY  
GRAPHS**

***As of March 31, 2006***

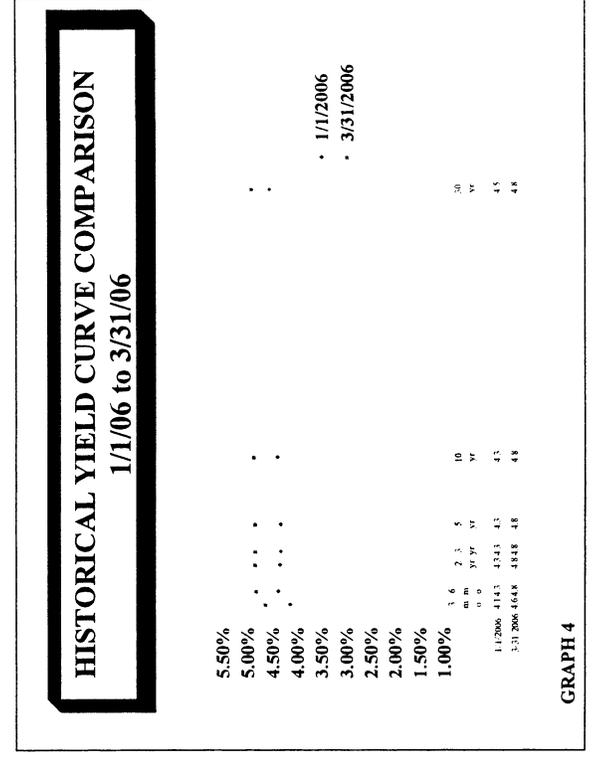
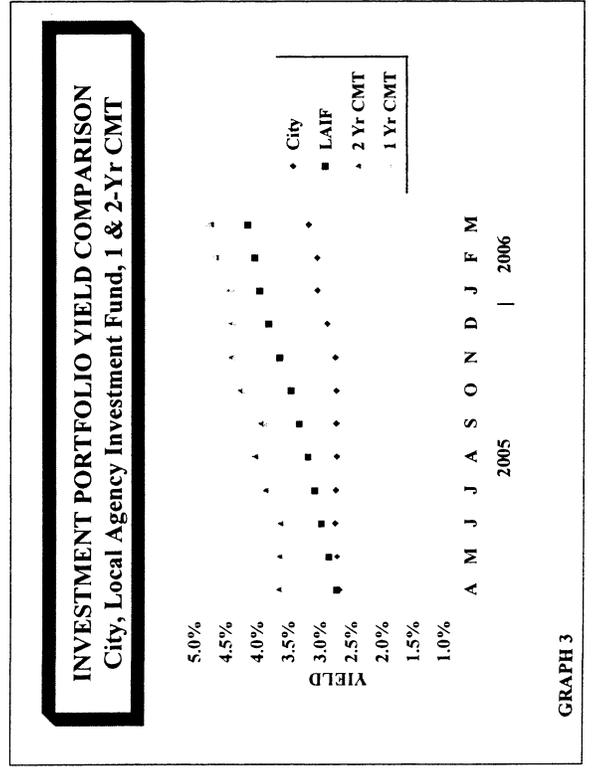
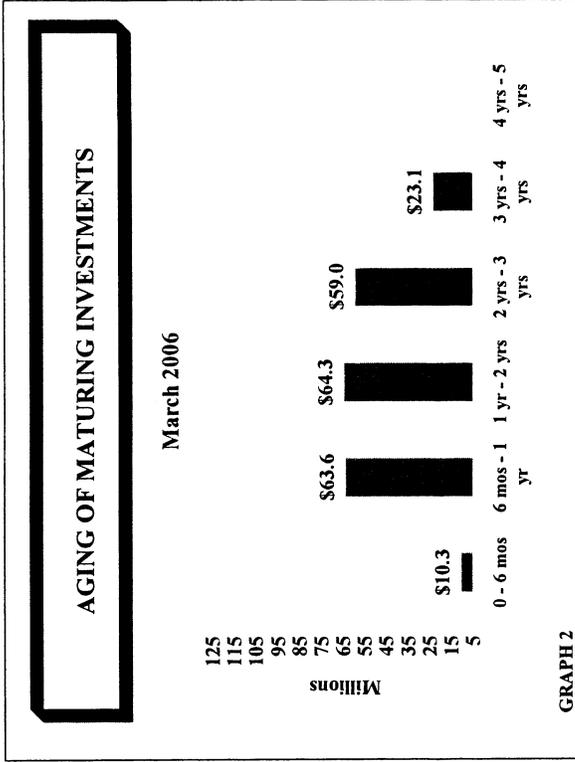
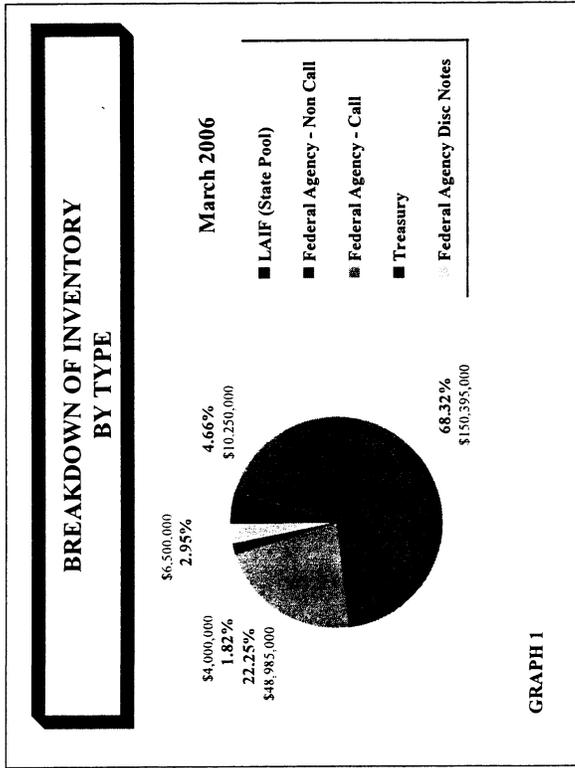
Oceanside Quarterly Report  
 Cash/Checking Activity  
 January 1, 2006 - March 31, 2006

Issuer Investment #	Fund	Security ID	Transaction Date Receipt	Deposits	Withdrawals	Interest Received	Balance
LALF	Local Agency Investment Fund						
18000		SYS18000	01/03/2006	500,000.00			11,000,000.00
			01/04/2006	500,000.00			11,500,000.00
			01/06/2006	1,000,000.00			12,000,000.00
			01/09/2006	2,000,000.00			13,000,000.00
			01/12/2006		1,250,000.00		15,000,000.00
			01/17/2006		1,500,000.00		13,750,000.00
			01/17/2006			47,041.73	12,250,000.00
			01/19/2006		4,000,000.00		12,250,000.00
			01/23/2006		2,000,000.00		8,250,000.00
			01/26/2006		1,500,000.00		6,250,000.00
			01/31/2006				4,750,000.00
			02/03/2006		500,000.00		4,750,000.00
			02/06/2006		750,000.00		4,250,000.00
			02/15/2006	2,750,000.00			3,500,000.00
			02/17/2006		2,000,000.00		6,250,000.00
			02/22/2006		1,750,000.00		4,250,000.00
			02/24/2006		1,750,000.00		2,500,000.00
			02/28/2006	1,250,000.00			750,000.00
			02/28/2006				2,000,000.00
			03/02/2006		250,000.00		2,000,000.00
			03/06/2006	750,000.00			1,750,000.00
			03/27/2006		1,000,000.00		2,500,000.00
			03/29/2006	1,500,000.00			1,500,000.00
			03/30/2006	1,750,000.00			3,000,000.00
			03/31/2006				4,750,000.00
				<b>12,000,000.00</b>	<b>18,250,000.00</b>	<b>47,041.73</b>	<b>4,750,000.00</b>
18001		SYS18001					
			01/17/2006				1,750,000.00
			01/18/2006	7,750,000.00		16,003.63	1,750,000.00
			01/20/2006	1,750,000.00			9,500,000.00
			01/31/2006		1,000,000.00		11,250,000.00
			01/31/2006				10,250,000.00
			02/28/2006				10,250,000.00
			03/07/2006		1,500,000.00		10,250,000.00
							8,750,000.00

Portfolio POOL  
 NLI AP  
 LP (PRF\_LP) SymRept 6.41.202a  
 Report Ver: 5.00i



# CITY OF OCEANSIDE INVESTMENT PORTFOLIO SUMMARY GRAPHS



# **TREASURER'S REPORT**



**BOND FUNDS -  
2002 REDEVELOPMENT TAX ALLOCATION BONDS  
FUNDS HELD BY OUTSIDE MANAGEMENT**

***As of March 31, 2006***

**2002 TA Bonds - Month End Rpts  
Portfolio Management  
Portfolio Summary  
March 31, 2006**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM
Local Agency Investment Fund	2,216,000.00	2,210,664.89	2,216,000.00	100.00	1	1	4.142
<b>Investments</b>	<b>2,216,000.00</b>	<b>2,210,664.89</b>	<b>2,216,000.00</b>	<b>100.00%</b>	<b>1</b>	<b>1</b>	<b>4.142</b>

	March 31 Month Ending	Fiscal Year To Date
<b>Total Earnings</b>		
Current Year	7,596.63	66,309.66
<b>Average Daily Balance</b>	<b>2,216,000.00</b>	<b>2,461,255.47</b>
<b>Effective Rate of Return</b>	<b>4.04%</b>	<b>3.59%</b>

\_\_\_\_\_  
Rosemary R. Jones, CDC Treasurer

2002 TA Bonds - Month End Rpts  
 Portfolio Management  
 Portfolio Details - Investments  
 March 31, 2006

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to Maturity	Maturity Date
<b>Local Agency Investment Fund</b>												
SYS18002-TA	18002-TA	State of CA LAIF	2,216,000.00		2,216,000.00	2,210,664.89	2,216,000.00	4.142		4.142	1	
		Subtotal and Average	2,216,000.00		2,216,000.00	2,210,664.89	2,216,000.00			4.142	1	
		Total and Average	2,216,000.00		2,216,000.00	2,210,664.89	2,216,000.00			4.142	1	

**2002 TA Bonds - Month End Rpts**  
**Cash/Checking Activity**  
**January 1, 2006 - March 31, 2006**

Issuer Investment #	Fund	Security ID	Current Rate	Transaction Date	Receipt	Deposits	Withdrawals	Interest Received	Balance
<b>Local Agency Investment Fund</b>									
<b>State of CA LAIF</b>									
18002-TA		SYS18002-TA							2,216,000.00
			3.808	01/17/2006				23,286.98	2,216,000.00
			3.955	01/31/2006					2,216,000.00
			4.043	02/28/2006					2,216,000.00
			4.142	03/31/2006					2,216,000.00
<b>Subtotal and Ending Balance</b>			<b>4.142</b>			<b>0.00</b>	<b>0.00</b>	<b>23,286.98</b>	<b>2,216,000.00</b>
<b>Total</b>						<b>0.00</b>	<b>0.00</b>	<b>23,286.98</b>	<b>2,216,000.00</b>

**CITY OF OCEANSIDE  
FUNDS MANAGED BY OUTSIDE PARTIES  
AS OF MARCH 31, 2006**

<u>TYPE OF FUND/INSTITUTION</u>	<u>MARKET VALUE</u>	<u>INSTITUTION TOTAL</u>
<u>BOND FUNDS</u>		
<b>Bank of New York</b>		
1994 Local Agency Revenue Bonds (Assesment District Refinance), Series A	445,866.12	
1998 Oceanside Certificates of Participation - Police & Library Facility	2,261.36	
1998 Water Revenue Refunding Bonds	1,829,901.29	
1998 Wateruse Variable Rate Demand Bonds	245,386.62	
2002 Tax Allocation Bonds	1,995,036.64	
2002 Community Facilities District Bonds - Ocean Ranch Corporate Centre	2,530,232.52	
2002 Community Facilities District Bonds - Morro Hills Development	15,196,826.74	
2003 Refunding Certificates of Participation - 93 Series A Bonds	3,757,478.75	
2003 Revenue Certificates of Participation - Wastewater System Bonds	74.13	
2003 Refunding Certificates of Participation - Water System Bonds	125.32	
2004 Community Facilities District Bonds - Morro Hills Development Imp#1	783,162.12	
2004 Community Facilities District Bonds - Morro Hills Development	1,043,044.20	
2004 Community Facilities District Bonds - Ocean Ranch Corporate Centre	18.43	
2004 Refunding Tax Allocation Bonds	1,882,319.66	
2005 Civic Center Refunding Certificates of Participation	309,775.95	
2005 Pension Obligation Bonds	44,276.75	
		\$30,021,509.85
<b>Rabobank</b>		
2003 Tax Allocation Bonds	15,729,271.42	
		RABO STATEMENT
		\$ 15,729,271.42
		<u>\$ 45,750,781.27</u>

1 RESOLUTION NO.

2 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
3 OCEANSIDE AMENDING THE POLICY FOR THE  
4 INVESTMENT OF CITY OF OCEANSIDE FUNDS

5 WHEREAS, Section 53646 of the State of California Government Code provides for the  
6 annual review and adoption of an investment policy statement;

7 WHEREAS, said investment policy has been written in compliance with all applicable  
8 laws and in accordance with guidelines provided by the Association of Public Treasurers of the  
9 United States and Canada; and

10 WHEREAS, The City Treasurer, City staff and members of the City Treasurer's Citizen  
11 Investment Oversight Committee have reviewed and approved the proposed policy.

12 NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

13 Section 1. That the policy statement attached hereto as Exhibit "A" is adopted; and

14 Section 2. That the policy be examined and considered for readoption no later than June  
15 30, 2007.

16 PASSED AND ADOPTED by the City Council of the City of Oceanside, California,  
17 this \_\_\_\_\_ day of \_\_\_\_\_, 2006, by the following vote:

18  
19 AYES:

20 NAYS:

21 ABSENT:

22 ABSTAIN:

23  
24 MAYOR OF THE CITY OF OCEANSIDE

25  
26 ATTEST:

27 APPROVED AS TO FORM:

28 \_\_\_\_\_  
City Clerk

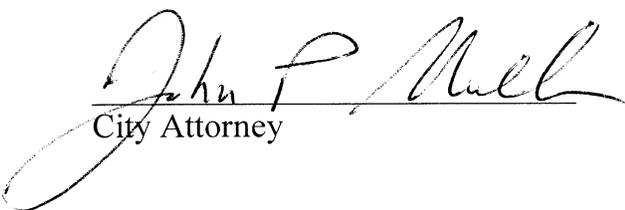
  
\_\_\_\_\_  
City Attorney



EXHIBIT A

# CITY OF OCEANSIDE INVESTMENT POLICY



Prepared by the  
City Treasurer's Office  
300 North Coast Highway  
Oceanside, CA 92054

Rosemary R. Jones, CCMT  
City Treasurer

Adopted June 7, 2006  
City Council Resolution No.

# CITY OF OCEANSIDE INVESTMENT POLICY

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<u>Glossary</u>	



# CITY OF OCEANSIDE

## Office of the City Treasurer

June 7, 2006

### INTRODUCTION

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The investment policies and practices of the City of Oceanside (hereafter referred to as the “City”) are based upon state law and prudent money management principles. The primary goals of these policies are:

1. To protect and manage the principal monies entrusted to this office in compliance with all Federal, State, and Local laws governing the investment of monies under the control of the City Treasurer.
2. To ensure ample liquidity to meet budgeted City expenditures for at least a six-month period.
3. To generate the maximum amount of investment income within the parameters of prudent risk management and required liquidity.

The monies (Investment Pool) entrusted to the City Treasurer in accordance with Council Ordinance 97-19, shall be referred to as the “Fund” throughout the remainder of this document. The Fund will be an actively managed portfolio. That is, the Treasury Manager and staff will observe, review, and react to changing conditions that affect the Fund. The Treasury Manager, as directed by the City Treasurer, shall manage the Fund on a full-time basis. The Treasury Manager shall manage all transactions and shall establish a system of controls to regulate the activities of all Treasury personnel. The authority to execute investment transactions that will affect the Fund will be limited to:

City Treasurer  
Treasury Manager  
Deputy Treasurer

The above officers will meet with members of the Citizen Investment Oversight Committee on a regular basis to discuss current market conditions and future trends and how each of these affects the Fund and the City.

The policy stated below addresses risk management because it is such an integral part of the investment policy. To concentrate only on maximizing yield would be imprudent; therefore, policy issues will be directed to:

1. limiting the Fund’s exposure to each issue and issuer of debt, and
2. determining a minimum credit requirement that firms must have in order to hold city monies.

## 1. SCOPE

In accordance with Ordinance 97-19 of the City Council of the City of Oceanside and under authority granted on January 7, 1998, the City Treasurer is responsible for investing the unexpended cash in the City Treasury. This investment policy applies to all the financial assets of the City of Oceanside. These funds are accounted for in the City of Oceanside's Comprehensive Annual Financial Report and include: General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Debt Service Funds, Trust and Agency Funds, and Internal Service Funds. The investment policy does not apply to Employee Retirement and Deferred Compensation Funds, which are administered separately. Bond proceeds of the City of Oceanside shall be invested in accordance with the permitted investments of each bond indenture.

## 2. PRUDENT INVESTOR RULE

Generally, investments shall be made in the context of the "prudent investor" rule, which states:

"...investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

## 3. OBJECTIVES

### A. Safety of principal.

Safety of principal is the foremost objective of the City of Oceanside. Each investment transaction shall seek to ensure, whenever possible, that all capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. The City shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

1. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in only very safe securities (see *Section 8 Authorized Investments* for detailed limitations of credit risk), and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the City's cash flow.
2. Market risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by structuring the portfolio so that securities mature at the same time that major cash outflows occur, thus reducing the need to sell securities prior to their maturity; and by prohibiting the taking of short positions, that is, selling securities that the City does not own. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return and liquidity needs.

B. Liquidity

The portfolio will be structured with sufficient liquidity to allow the City to meet anticipated cash requirements. This will be accomplished through diversity of the instruments to include those with active secondary markets, those which can match maturities to expected cash needs, and the State Local Agency Investment Fund with immediate withdrawal provisions. A statement showing that the portfolio has ample liquidity to meet six months of budgeted City expenditures will be included in the Treasurer's report to Council.

C. Return on investment

The City's investment portfolio shall be designed to attain at least a market-average rate of return through economic cycles. Whenever possible, and consistent with risk limitations as defined herein and prudent investment principles, the Treasury Manager shall seek to augment returns above the market average rate of return as shown on the average CMT (Constant Maturity Treasury) whose maturity most closely matches the average maturity of the portfolio.

**4. INVESTMENT PROCEDURES**

The City Treasurer shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, Public Securities Administration repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy procedures established by the City Treasurer.

**5. ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investments decisions. Employees and investment officials shall disclose any material financial interests that could be related to the performance of the City's investment policy.

**6. INVESTMENT OVERSIGHT COMMITTEE**

The City Treasurer shall be responsible for establishing a Citizen Investment Oversight Committee consisting of no less than 5 members. Members of the committee shall serve at the City Treasurer's pleasure and meet on a regular basis to review investment operations and assure compliance to California Code requirements. The committee shall act in an advisory role and shall not make investment decisions.

## **7. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

The Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule.) No deposit shall be made except as established by California laws. All financial institutions and broker/dealers for investment transactions must supply the Treasurer with the following: audited financial statements, proof of National Association of Security Dealers certification, proof of State of California registrations, completed broker/dealer questionnaire (attached as an addendum), and certificate of having read the City's investment policy. The Treasury Manager shall provide information regarding any newly acquired dealer to the City Treasurer and the Investment Oversight Committee.

The City may execute security transactions with the investment department of the City's custodial bank. If the custodial bank is not a primary dealer in government securities, investments shall be restricted to short term investments (six months or less) and the business relationship with the bank's investment department shall terminate at such time when the City terminates its banking relationship with the bank. If the City's custodial bank is a primary dealer, the rules pertaining to primary dealer status apply.

The City may purchase A1-P1 rated commercial paper from its direct issuer if it presents a higher return than in the secondary market.

The Treasury Manger shall annually send a copy of the current investment policy by electronic mail to all dealers approved to do business with the City. Broker/dealers shall be required to provide a certification acknowledging receipt of the policy and submit their most recent audited financial statements. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the City's investment policies and agrees to sell the City only appropriate investments. The Treasury Manger will annually review the financial condition and registrations of qualified financial institutions and broker/dealers. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the City invests.

## **8. AUTHORIZED INVESTMENTS**

The City is further governed by California Government Code, Sections 53600 et seq. Within the context of these limitations, the following investments are authorized, as further limited herein:

- A. United States Treasury Bills, Bonds, and Notes, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio that can be invested in this category. The City shall not invest in any United States security that exceeds five-years of maturity.
- B. Obligations issued by the United States Government Agencies such as, the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), and the Student Loan Marketing

Association (SLMA). There is no percentage limitation of the dollar amount that can be invested in these issues, however, no more than 25% of the cost value of the portfolio may be invested in any single agency name. The City shall not invest in any agency security that could result in zero interest accrual if held to maturity.

- C. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity. The total amount of purchases of banker's acceptances may not exceed 20% of the cost value of the portfolio. No more than 5% of the cost value of the portfolio may be invested in banker's acceptances issued by any one bank.
  
- D. Time deposits. The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those U.S. banks and savings and loan associations, which meet the requirements as evaluated by a nationally recognized statistical rating organization (NSRO) as designated by the Securities and Exchange Commission, for the qualitative and quantitative analysis of financial institutions. Since time deposits are not liquid, no more than 15% of the cost value of the portfolio may be invested in this category. The issuer firm should have been in existence for at least five years. The City may waive the first \$100,000.00 of collateral security for such deposits if the institution is insured pursuant to federal law. In order to secure such deposits, an institution shall maintain in the amount deposited. Real estate mortgages may not be accepted as collateral. The maximum term for deposits shall be one year. In general, the issuer must have a minimum tier one risk-based capital ratio of 6% as determined by the FDIC and their operation must have been profitable during their last reporting period.
  
- E. Repurchase agreements. The City may invest in repurchase agreements with banks and dealers with which the City has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements.
  - 1. Transactions shall be limited to primary dealers and the top twenty-five U.S. banking institutions according to asset size. The maturity of repurchase agreements shall not exceed 30 days. The market value of the securities used as collateral for repurchase agreements shall be monitored daily by the investment staff and will not be allowed to fall below 100% of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code which provides for the securities acceptable as collateral shall be certificates of deposit, eligible banker's acceptances, or securities that are either direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States.
  - 2. No more than 30% of the cost value of the portfolio may be invested in repurchase agreements, and a "perfected security interest" shall always be maintained in the securities subject to a repurchase agreement.
  
- F. Reverse Repurchase Agreements. The City may enter into reverse repurchase agreements when the earnings from the matching investment(s) are greater than or equal to the cost of the reverse(s) and the terms and conditions are otherwise

favorable to the City, or to provide funds for the immediate payment of City obligations. Reverse repurchase agreements entered into in accordance with this paragraph may only be entered into with securities owned and previously paid for a minimum of 30 days prior to the settlement of the reverse repurchase agreement. Maturities of reverse repurchase agreements may not exceed 60 days to maturity without written approval of the City Treasurer, and must be matched as to maturity with all proceeds of the reverse reinvested in the matched security or the Local Agency Investment Fund (LAIF). No more than 15% of the total cost value of the portfolio is to be invested in reverse repurchase agreements at any one time.

- G. Commercial paper. The City may invest in commercial paper ranked P<sub>1</sub> by Moody's Investor Services and A<sub>1</sub> by Standard and Poor's, and issued by a domestic corporation having assets in excess of \$500 million. The commercial paper must also have an A or better rating for the issuers debt, other than commercial paper, if any, as provided by Moody's or Standard and Poor's. Purchase of commercial paper from corporations on negative credit watch by a major rating agency shall be prohibited. Purchases of eligible commercial paper may not exceed 270 days to maturity. The total amount of purchases of commercial paper may not exceed 15% of the cost value of the portfolio. No more than 5% of the cost value of the portfolio may be invested in commercial paper issued by any one corporation. The sum of the market value of the Commercial Paper and Medium Term Notes invested in any one corporation or corporate entity shall not exceed 5% of the cost value of the portfolio.
- H. Medium Term Notes (MTNs). The City may invest in MTNs, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States. MTNs eligible for purchase shall be rated "A" or better by Standard and Poor's or by Moody's rating services. Purchase of medium term notes from corporations on negative credit watch by a major rating agency shall be prohibited. MTNs with an "A" rating shall be limited to 24 months maximum maturity; AA rated MTNs shall be limited to 36 months. The aggregate total of all purchased MTNs may not exceed 15% of the cost value of the investment portfolio. No more than 5% of the cost value of the portfolio may be invested in notes issued by any one corporation. The sum of the market value of the Commercial Paper and Medium Term Notes invested in any one corporation or corporate entity shall not exceed 5% of the cost value of the portfolio. Upon any announcement of negative credit watch or downgrade by a major rating agency of any issue within the portfolio, the Treasury Manager shall contact the City Treasurer and recommend a course of action. If at any time a security falls below "investment grade," the Treasury Manager should obtain the best bid and take the necessary steps toward liquidation.
- I. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF), established by the State Treasurer for the benefit of local agencies, and identified under Government Code section 16429.1, up to the maximum amount permitted by State Law. Treasury staff shall investigate at least annually the status of LAIF with regard to ongoing investment in the pool.

- J. Restricted Investments. Individual investments in excess of 5 million dollars par value with a maturity of more than 3 years requires 72 hour advance notification (exclusive of weekends and holidays) to the City Manager and City Council. Also, any individual investment, regardless of maturity, of more than 10% of the total portfolio cost requires the same notification.
- K. Ineligible investments. Investments not described herein, including but not limited to, common stocks, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, and mutual funds are prohibited from use in this portfolio. Investments that exceed five years in maturity are prohibited. The lending of funds directly from the investment portfolio, not otherwise covered herein, is prohibited.

## 9. SWAPPING OF SECURITIES

A swap is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. Losses or gains on security swaps must be recorded as a completed sale and purchase. The Treasurer's investment staff will maintain details of every swap transaction.

## 10. ACTIVE MANAGEMENT OF U.S. TREASURY POSITIONS

The City Treasurer may elect to actively manage the U.S. Treasury segment of the investment portfolio. Purchasing and subsequently selling all, or a portion of, U.S. Treasury securities may be implemented for the purpose of increasing current income to complement the earning of the portfolio. All investment transactions will be made with available cash and all such securities purchases must be made with the ability to hold to maturity. In no event will purchasing and selling Treasury issues interfere with the overall strategy of the core portfolio, nor will such trading ever compromise the City's daily liquidity to meet its current obligations.

U.S. Treasury securities may be sold prior to maturity [in the secondary market] for the purpose of realizing capital gains or minimizing losses. Records of such purchase and/or sale transactions shall fully describe the issue, trade date, par value, purchase cost, sale proceeds, and any accrued interest. Purchase and sale transactions will be matched via inventory "blocks" for the purpose of ascertaining the historical differences between purchase cost and sale proceeds. Multiple inventory blocks at different purchase prices may be used to document activity per issue.

***Eligible Transactions:*** Purchases and/or sales of U.S. Treasury securities may occur under the following conditions:

- A. During the period in which the issue has been announced or trading has commenced, but not yet auctioned ("when-issued" period)
- B. During the period of time after the issue has been auctioned and the coupon determined, but not yet issued
- C. At any time after the issue date.

***Limitations and Restrictions:***

The frequency of purchase and/or sale transactions shall not be limited, except that the total position of purchased securities for active management (net of sales not yet settled) shall not exceed ten percent of the total average portfolio as of the trade date, based upon par value. The total ownership of US Treasury issues shall not be limited except for those securities that have been purchased in anticipation of future sales. It shall be the objective of the City Treasurer that realized capital gains exceed capital losses.

**11. PORTFOLIO ADJUSTMENTS**

Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the City Treasurer shall consider reconstructing the portfolio basing the decision in part on the expected length of time the portfolio will be imbalanced.

**12. SAFEKEEPING OF SECURITIES**

To protect against potential losses by collapse of individual securities dealers, all securities owned by the City, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery versus payment procedures.

The City's custodian bank recognizes daily instruction from the Treasury Manager and/or the Investment Officer. If instructions are received by the custodian bank from any other authorized staff member, either by voice or in writing, the custodian bank will obtain phone approval from two other approved signers on the account.

**13. REPORTING**

On a quarterly basis, the City Treasurer shall submit to the City Council a report that provides the status of the current investment portfolio. The report shall identify the type of investment, name of the issuer, date of maturity, par and dollar amount invested in each security, the weighted average maturity of the investments, any funds investments or programs including loans that are under the management of contracted parties and the market value as of the date of the report along with the source of this valuation. The report shall also include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentage of investment by categories, and possible changes in future portfolio structure and investment strategies. Pursuant to State Code Section 53646(g), the City Treasurer shall also submit by mail the second and fourth quarter investment report to the California Debt and Investment Advisory Commission no later than 60 days after the close of the respective quarter. In addition to the quarter report to council, the City Treasurer will submit a monthly summary report to the City Manager and City Council.

The City shall record interest revenue on a full accrual basis of accounting that is in accordance with generally accepted accounting practices for reporting and recording of interest earnings, accretions and premium amortizations. The City shall also comply with GASB 31 and GASB 40 when reporting fiscal year-end investments in the City's annual financial statement.

#### **14. INTERNAL CONTROL**

The City Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

#### **15. POLICY REVIEW**

This investment policy shall be reviewed at least annually, following the receipt of the audit report, to ensure its consistency with the overall objective of preservation of principal, liquidity, rate of return, and its relevance to current law and financial and economic trends. The City Council, acting through the City Treasurer, shall be responsible for maintaining guidance over this investment policy to ensure that the City can adapt readily to changing market conditions, and shall approve any modification to the investment policy prior to implementation. Amendments to the policy shall be forwarded to the City Manager and the City Council. The policy shall be adopted annually, no later than June 30, by resolution of the City Council. The City Treasurer shall submit the policy by mail to the California Debt and Investment Advisory Commission no later than 60 days following the annual adoption of the policy, as required by State Code Section 8855(8f).



4. Contact personnel: (provide an attachment if more space is required)

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Telephone \_\_\_\_\_

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Telephone \_\_\_\_\_

4a. Provide background information concerning the account representatives listed in No. 4 above. Please include information on the individual's employment history as it relates to the securities industry, official licenses and certificates, the history and details of any disciplinary actions or complaints and the disposition of each as well as the history of any arbitration or litigation, the nature of the case and status or disposition.

5. Please provide the following information regarding at least four comparable clients with whom any of the representatives listed in No. 4 has an established relationship. We would prefer public sector clients in our geographical area, if possible.

Client Name \_\_\_\_\_  
Address \_\_\_\_\_  
Person to Contact/ \_\_\_\_\_  
Telephone \_\_\_\_\_  
Length of relationship \_\_\_\_\_

Client Name \_\_\_\_\_  
Address \_\_\_\_\_  
Person to Contact/ \_\_\_\_\_  
Telephone \_\_\_\_\_  
Length of relationship \_\_\_\_\_

Client Name \_\_\_\_\_  
Address \_\_\_\_\_  
Person to Contact/ \_\_\_\_\_  
Telephone \_\_\_\_\_  
Length of relationship \_\_\_\_\_

Client Name \_\_\_\_\_  
Address \_\_\_\_\_  
Person to Contact/ \_\_\_\_\_  
Telephone \_\_\_\_\_  
Length of relationship \_\_\_\_\_

6. Has/have the representative(s) listed in No. 4 been authorized by the firm to be account representative(s) for the City of Oceanside?

Yes \_\_\_\_\_ No \_\_\_\_\_

If Yes, by whom? \_\_\_\_\_

7. Please list the name and title of the immediate supervisor of the account representative(s) named in your response to No. 4 above.

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_

8. Is your firm a member of NASD? Yes \_\_\_\_\_ No \_\_\_\_\_

If not, why?

\_\_\_\_\_  
\_\_\_\_\_

9. Place an "X" by each regulatory agency that your firm is examined by and/or subject to its rules and regulations:

FDIC \_\_\_\_\_ SEC \_\_\_\_\_ NYSE \_\_\_\_\_

Comptroller of Currency \_\_\_\_\_ Federal Reserve System \_\_\_\_\_

10. Have you obtained all required licenses to operate as a broker/dealer in the State of California?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. If you are not a Bank, please provide the following information regarding your principal banking relationship.

Bank Name \_\_\_\_\_  
Address \_\_\_\_\_  
Bank Contact \_\_\_\_\_  
Telephone \_\_\_\_\_  
Length of Relationship \_\_\_\_\_

12. Place and "X" by each of the instruments below in which you make an active market (both buy and sell):

T-Bills	_____	T-Notes	_____
BA-Domestic	_____	BA-Foreign	_____
Commercial Paper	_____	Medium Term Notes	_____
Repurchase Agreements	_____	Reverse Repo	_____

Federal Agencies-please specify below

\_\_\_\_\_

13. Does your firm specialize in any of the instruments listed above? If so, please specify which ones.

\_\_\_\_\_  
\_\_\_\_\_

## Section II – Part II: Request for Broker/Dealer Candidate Disclosure

To the best of your knowledge, has there been any "material" litigation, arbitration or regulatory proceedings, either pending, adjudicated or settled, that your firm has been subject to within the last five years that involved issues concerning the suitability of the sale or purchase of securities to institutional clients or fraudulent or unfair practices related to the sale of securities to a client? If so, please describe each such matter briefly. For purposes of this section, proceedings are "material" if your independent accountant applying generally accepted accounting principles determines that such proceedings required disclosure on your financial statements.

14. Please provide certified audited financial statements for the last three years. In addition, for those dealers preparing and submitting financial statements to the following organizations, please provide publicly available financial documents file with these agencies for the previous two years.

National Association of Securities Dealers  
Securities and Exchange Commission  
New York Stock Exchange  
Federal Deposit Insurance Corp.

**Section III: Certification**

I hereby certify that I have personally read the City of Oceanside's Investment Policy and the California Government Codes pertaining to the investments of the City of Oceanside; that the above information is true and correct to the best of my knowledge; and that I am authorized to execute this request for information on behalf of \_\_\_\_\_ (name of firm).

Signed

\_\_\_\_\_

Print Name

\_\_\_\_\_

Title

\_\_\_\_\_

Date

\_\_\_\_\_

Counter signature by Company president or person in charge of government securities operations

Signed

\_\_\_\_\_

Print Name

\_\_\_\_\_

Title

\_\_\_\_\_

Date

\_\_\_\_\_

## **GLOSSARY**

**AGENCIES** - Agencies of the Federal government set up to supply credit to various classes of institutions (e.g. S&L's, Small business firms, students, farmers, housing agencies, etc.)

**ASK/OFFER** - The price at which securities are offered. (The price at which a firm will sell a security to an investor.)

**BANKERS ACCEPTANCE (BA)** - A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**BASIS POINT** - One one-hundredth of a percent (i.e. 0.01%)

**BEAR MARKET** - A period of generally pessimistic attitudes and declining market prices.

**BOND EQUIVALENT YIELD** - The basis on which yields on notes and bonds are quoted.

**BROKER/DEALER** - Individual or firm acting as principal in securities transaction.

**BULL MARKET** - A period of generally optimistic attitudes and increasing market prices.

**CALLABLES** - Securities that the issuer has the right to redeem prior to maturity.

**CERTIFICATE OF DEPOSIT (CD)** - A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

**CMT** - Constant Maturity Treasury

**COLLATERAL** - Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**CORPORATE MEDIUM TERM NOTE** - A security issued by a corporation doing business in the U.S. with a maturity not to exceed five years.

**COUPON** - a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; b) A certificate attached to a bond evidencing interest due on a payment date.

**DEBENTURE** - A bond secured only by the general credit of the issuer.

**DELIVERY VS PAYMENT** - Deliver of securities with a simultaneous exchange of money.

**DERIVATIVES** - Financial products that are dependent for their value on (or derived from) an underlying financial instrument, a commodity, or an index representing values of groups of such instruments or assets.

**DIVERSIFICATION** - Dividing investment funds among a variety of securities offering independent returns.

**FEDERAL FUND RATE** - The rate of interest associated with borrowing a Federal Reserve bank's excess reserves. This rate is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL OPEN MARKET COMMITTEE (FOMC)** - Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other presidents serve on a rotating basis. The committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

**INTERNAL RATE OF RETURN** - Rate of return over the life of a security.

**LOCAL AGENCY INVESTMENT FUND (LAIF)** - The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**MARKET VALUE** - The price at which a security is trading, usually the liquidation value.

**OPEN MARKET OPERATIONS** - Federal Reserve activity. Under the Federal Reserve Act, the Fed uses purchases and sales of Government and Federal Agency securities to add to or subtract from commercial bank reserves. Goals are to sustain economic growth, high employment and reasonable price stability.

**PAPER GAIN OR LOSS** - Term used for unrealized gain or loss on securities being held in a portfolio based on comparison of current market quotes and their original cost. This situation exists as long as the security is held while there is a difference between market value and the purchase price.

**PRIMARY DEALER** - A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker/dealers, banks and a few unregulated firms.

**RATE OF RETURN** - The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity; on a bond, the current income return.

**SAFEKEEPING** - The service provided by banks and trust companies for clients when the bank or trust company stores the securities, takes in coupon payments, and redeems issues at maturity.

**SPREAD** - a) The yield or price difference between the bid and offer on an issue; b) The yield or price difference between different issues.

**SWAP** - The sale of one issue and the simultaneous purchase of another for some perceived advantage.

**TREASURY BILLS** - A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

**TREASURY BONDS** - Long-term U.S. Treasury securities having initial maturities of more than ten years.

**TREASURY NOTES** - Intermediate-term coupon bearing U.S. Treasury securities having initial maturities of one year to ten years.

**WHEN ISSUED BASIS (WI)** - A term applied to securities that are traded before they are actually issued, with the stipulation that transactions are null and void if securities are not issued.

**YIELD CURVE** - Yield calculations of various maturities at a given time to observe spread differences.

**YIELD TO MATURITY** - The current income yield minus any premium above par, or plus any discount from par in the purchase price with the adjustment spread over the period from date of purchase to maturity.