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C-9**CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

February 8, 2005

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**SUBJECT:** Proposed Refinancing of the Health Facilities Financing Authority 1989 Tax-Exempt Variable Rate Loan/Lease (Citywide)

**DISCUSSION**

The City's Department of Health and Human Services moved to its current main health facility on Grand Avenue in 1993. The move was required to vacate property occupied by the Health Department to allow the development of a shopping center in the Central Long Beach Redevelopment Agency Project area. Additional space for the Health Department was also needed to address the growing health and human service needs in the city. The Grand Avenue site, including the building, was purchased using hospital funds (proceeds from City land sales to local hospitals since the 1950s) and now provides space to deliver core public health services for City residents. Services include public health clinics, communicable disease control programs, public health nursing, public health laboratory, and child immunizations. Over one-half million units of service to children and families are provided out of the Grand Avenue facility annually.

In 1993, the Grand Avenue building required extensive remodeling in order for it to be functional for public health use. The remodeling was financed through participation in the California Health Facilities Financing Authority 1989 Tax-Exempt Variable Rate Loan/Lease (CHFFA SAVRS) Program. The City's participation in the CHFFA SAVRS program resulted in the issuance of \$4,866,000 of bonds. These bonds mature in December 2020 (a remaining life of 16 years). The annual CHFFA administrative costs are allocated to CHFFA SAVRS program participants according to their proportional share of outstanding debt.

Though the total administrative costs have remained relatively stable, the number of participants has declined to two (the County of Los Angeles and the City of Long Beach). The current annual CHFFA SAVRS administrative cost to the City's Department of Health and Human Services is \$170,000, in addition to the annual debt service. The annual CHFFA administration charges have become cost prohibitive (\$170,000 equates to about 4.6 percent in addition to debt service). The annual debt service for FY 04 was \$144,073 and was paid from the Health Fund. The City Treasurer's Office has evaluated various refinancing alternatives for the remaining \$3.7 million of outstanding City CHFFA SAVRS bonds to minimize the administration expense and obtain an advantageous interest rate.

The CHFFA SAVRS bonds were publicly issued and remain backed by the General Fund. To gauge the marketability of a possible refinancing, loan quotes were solicited from three commercial banks. One of the quoted interest rates and debt structures achieves the goal to reduce costs significantly without extending the term of the debt. Another option researched was to use the City's investment pool to invest in the refinancing. This option was brought before the City's Investment Committee for consideration and concurrence. Note that the City's Investment Policy requires that the City Council approve the purchase of any investment

instrument maturing more than five years from the date of purchase, no less than three months prior to the purchase of such an investment. The Investment Committee had no objections to this option. The Investment committee consists of the City Manager, Assistant City Manager, Deputy City Managers, Acting Director of Financial Management, Chief Assistant City Attorney, Assistant City Auditor, the Harbor Department's Director of Finance and Administration and Finance Division Director, the Community Development Department's Administrative and Financial Services Manager, and the City's Budget Division Officer, Cash Manager and Acting City Treasurer.

Because one of the commercial bank loan proposals was the lowest cost alternative, it is proposed that the CHFFA SAVRS debt be refinanced at this time through a tax-exempt bank loan, but that the City's investment pool be allowed to buy that loan as an investment at some future date, if it is mutually advantageous to the City's Department of Health Services and to the investment pool. While the Health Department's debt service under either option will be comparable to the current obligation, refinancing the CHFFA SAVRS debt will avoid the CHFFA debt administration fees.

The adjustable interest rate for the lowest cost proposal is calculated as the quantity of one-month LIBOR (London Inter Bank Offer Rate) plus a spread of 117.65 basis points times 85 percent to adjust for the tax exempt status. If the one-month LIBOR is 2.09 percent, the effective rate would be  $(2.09 + 1.1765 \text{ spread}) \times .85$  or 2.7765 percent.

This matter was reviewed by the Investment Committee on November 16, 2004, Chief Assistant City Attorney Heather Mahood on January 31, 2005, and Budget Management Officer David Wodynski on January 18, 2005.

#### TIMING CONSIDERATIONS

City Council action is requested on February 8, 2005 in order to expedite refinancing the bonds and save administration costs. Timely action will assist the Health Department in reducing the administrative costs of this debt.

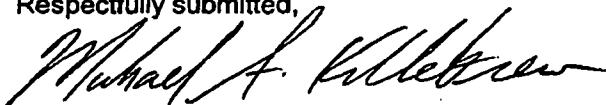
#### FISCAL IMPACT

The refinancing of the Health SAVRS debt, at market rate, would relieve the Health Department of significant debt administration costs of approximately \$170,000 annually.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to structure and execute a tax-exempt loan for the Health SAVRS debt, with a term similar to the remaining 16 years, and authorize the City's investment pool to buy the loan as an investment at some future point if advantageous market conditions emerge.

Respectfully submitted,



MICHAEL A. KILLEBREW  
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

K:DN

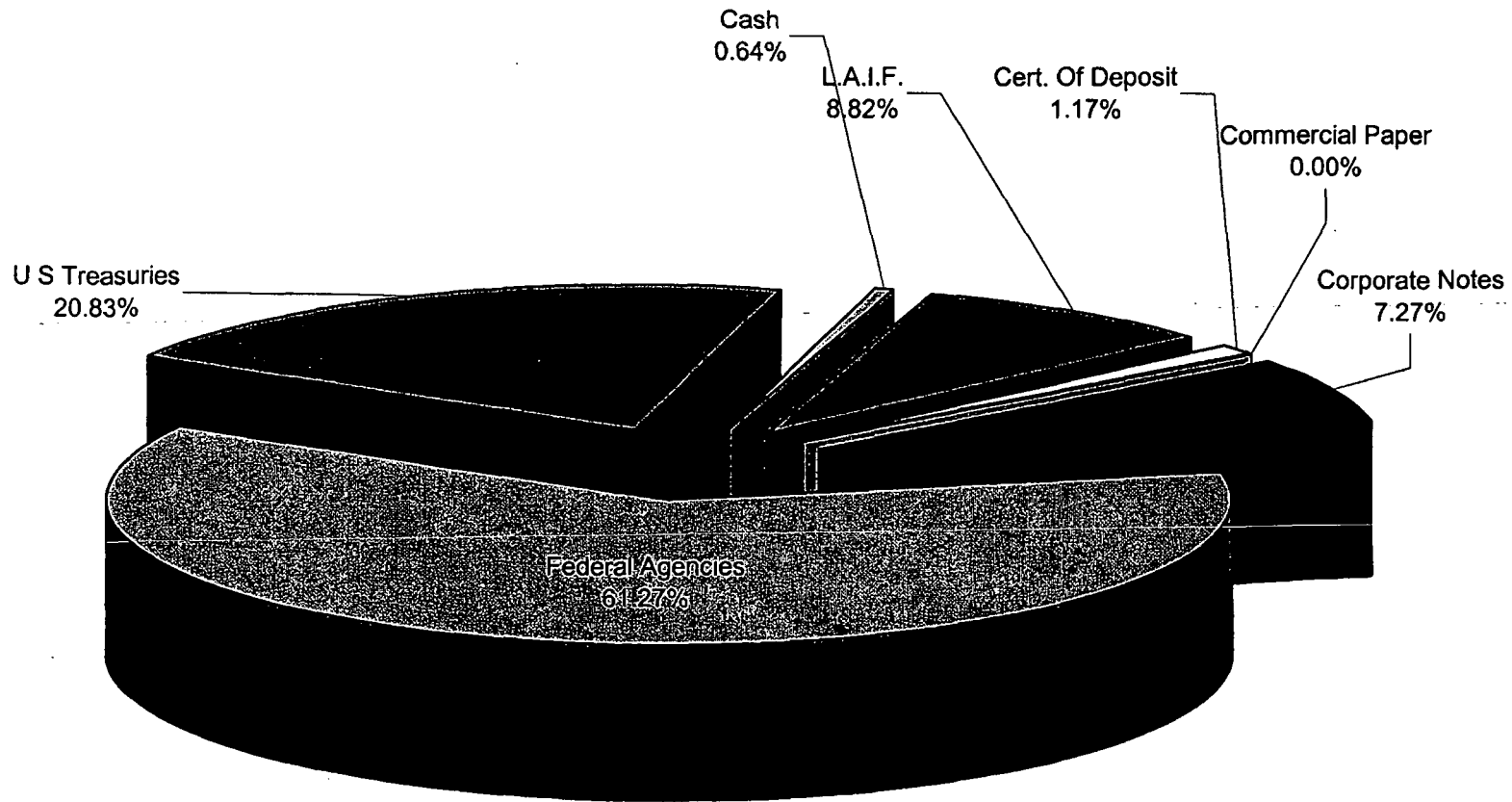
APPROVED:

  
GERALD R. MILLER  
CITY MANAGER

BALANCES, YIELDS AND AVERAGE MATURITIES  
June 30, 2005

<u>Description</u>	<u>Market Balance</u>	<u>Percent of Funds</u>	<u>Market Yield</u>	<u>Average Weighted Maturity</u>	
				<u>Days</u>	<u>Years</u>
Bank Deposits	\$8,262,886	0.63%	2.11%	1.0	0.00
Money Market Funds	\$33,703	0.00%	0.99%	1.0	0.00
L.A.I.F.	\$114,711,150	8.79%	3.02%	1.0	0.00
<b>Subtotal: Cash &amp; Overnight Investments</b>	<b>\$123,007,739</b>	<b>9.43%</b>	<b>2.96%</b>	<b>1.0</b>	<b>0.00</b>
Bankers Acceptances - Discount	\$0	0.00%	-	-	-
Commercial Paper - Discount	\$0	0.00%	-	-	-
Certificated of Deposits	\$15,206,356	1.17%	1.63%	77.0	0.21
Corporate Notes	\$15,454,004	1.18%	6.68%	181.3	0.50
U S Agencies	\$142,528,532	10.92%	2.74%	237.8	0.65
U S Treasuries	\$32,503,402	2.49%	2.17%	271.9	0.75
Reverse Repurchases	\$0	0.00%	-	-	-
Repurchase Agreements	\$0	0.00%	-	-	-
Pooled Investments (Short-Term):	\$205,692,294	15.76%	2.85%	227.1	0.62
<b>Total Short Term Portfolio:</b>	<b>\$328,700,033</b>	<b>25.19%</b>	<b>2.90%</b>	<b>142.5</b>	<b>0.39</b>
Bankers Acceptances - Discount	\$0	0.00%	-	-	-
Commercial Paper - Discount	\$0	0.00%	-	-	-
Certificated of Deposits	\$0	0.00%	-	-	-
U S Agencies	\$649,738,172	49.80%	3.21%	554.1	1.52
U S Treasuries	\$238,529,732	18.28%	3.11%	871.4	2.39
Asset Backed Securities	\$0	0.00%	-	-	-
Collateral	\$5,015,972	0.38%	2.50%	138.0	0.38
Corporate Notes	\$0	0.00%	-	-	-
Corporate Bonds	\$79,206,518	6.07%	3.23%	443.9	1.22
Other	\$3,576,655	0.27%	3.11%	5,044.0	13.82
<b>Total Long Term Portfolio:</b>	<b>\$976,067,050</b>	<b>74.81%</b>	<b>3.18%</b>	<b>637.0</b>	<b>1.75</b>
<b>Total Cash and Investments</b>	<b>\$1,304,767,083</b>	<b>100.00%</b>	<b>3.11%</b>	<b>512.4</b>	<b>1.40</b>

### Allocation of Pooled Securities June 30, 2005



■ Cash ■ L.A.I.F. □ Cert. Of Deposit □ Commercial Paper ■ Corporate Notes ■ Federal Agencies ■ U S Treasuries

INVESTMENT PERFORMANCE  
June 30, 2005

<u>Description</u>	<u>Market Value</u>	<u>Cost Value</u>	<u>Avg Maturity</u>		<u>Month Ended Jun-05</u>	<u>Quarter Ending</u>				<u>Year End Jun-05</u>
			<u>days</u>	<u>years</u>		<u>Jun-05</u>	<u>Mar-05</u>	<u>Dec-04</u>	<u>Sep-04</u>	
Short Term Funds	\$328,700,033	\$328,927,600	142	0.39	0.11	0.62	0.47	0.38	0.65	2.14
Long Term Pooled Funds	\$668,107,129	\$664,585,736	727	1.99	0.27	1.33	(0.14)	1.11	1.12	3.47
Total Pooled Funds	\$1,181,759,344	\$1,183,606,986	566	1.55	0.23	1.14	0.02	0.59	1.12	2.89
Composite Total Funds	\$1,304,767,083	\$1,305,979,521	512	1.40	0.21	1.07	0.08	0.58	1.03	2.79
Performance Benchmarks										
	91 Day T-Bill				0.23	0.72	0.57	0.48	0.37	2.15
	Merrill Lynch 1-3 Year Treasuries				0.20	1.14	(0.26)	0.02	0.97	1.87

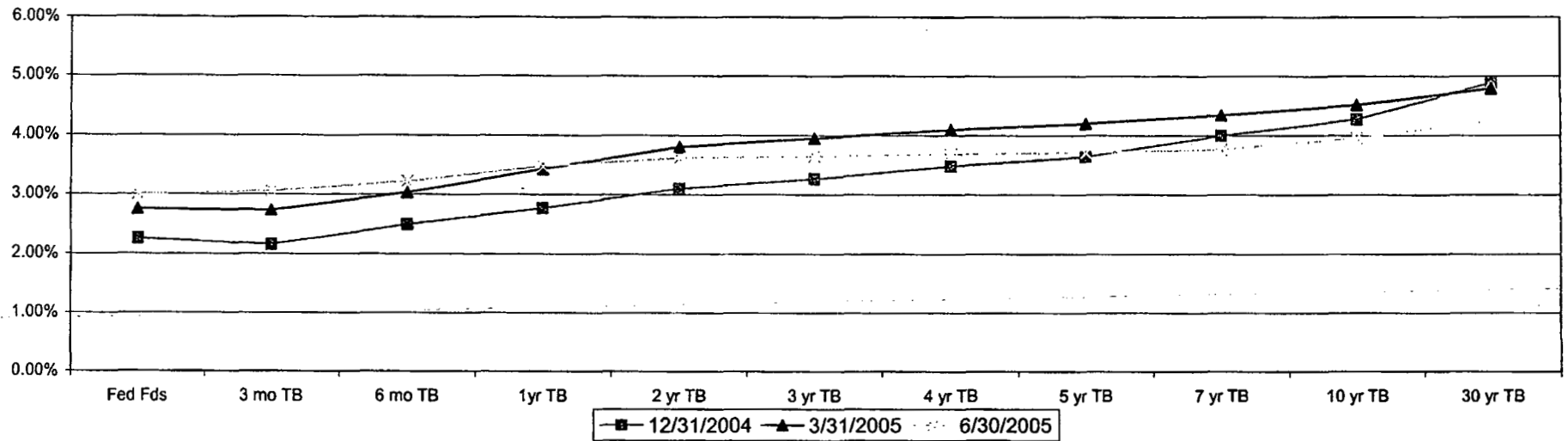
Performance information is based on total return of investment. The Definition of total return of an investment is the increase/decrease in market price from one marking period to the next, plus any accrued interest.

Attachment B  
August 23, 2005

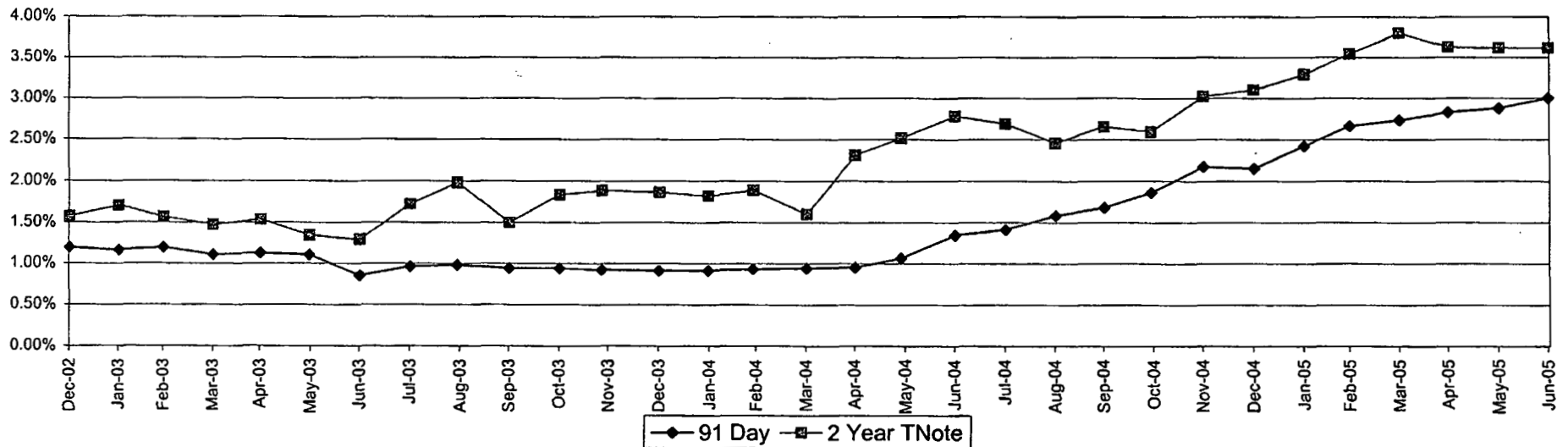
SUMMARY and COMPARISON OF YIELDS AND BALANCES  
June 30, 2005

<u>Description</u>	<u>Current Month June, 2005</u>	<u>Prior Month May, 2005</u>
Yield to Maturity (at market):		
Bank Deposits	2.11%	2.39%
Money Market Funds	0.99%	0.95%
L.A.I.F.	3.02%	2.89%
Pooled Investments (Short)	2.86%	2.90%
Pooled Investments (Long Term)	3.18%	3.23%
Pooled Investments (Total)	3.12%	3.08%
Total Weighted Average YTM	3.11%	3.05%
Weighted Average Maturity (Days)	512	480
Weighted Average Maturity (Years)	1.4	1.3
Balances (at market):		
Bank Deposits	\$8,262,886	\$8,314,359
Money Market Funds	\$33,703	\$33,675
L.A.I.F.	\$114,711,150	\$159,337,036
Pooled Investments (Short)	\$205,692,294	\$178,732,477
Pooled Investments (Long Term)	\$976,067,050	\$948,008,920
Pooled Investments (Total)	\$1,181,759,344	\$1,126,741,398
Total Value - Market:	\$1,304,767,083	\$1,294,426,468
Total Value - Book:	\$1,305,979,521	\$1,295,940,983
Total Value - Par:	\$1,305,868,125	\$1,294,847,304
Interest - Earned	\$2,881,541	\$4,549,511
Interest - Paid	\$2,377,778	\$5,065,733

### U.S. Treasury Yield Curve



### U.S. Treasury Interest Rates - Historical 91 Day TBill / 2 Year Note



**City of Long Beach Asset Holdings**

Month End: 6/30/05

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
<b>CASH &amp; EQUIVALENTS</b>									
Bank Deposits	NA	Total	8,242,353	8,242,353	8,242,353	20,533	1.0	2.11%	0.00
Money Market Funds	NA	Total	33,703	33,703	33,703	-	1.0	0.99%	0.00
L.A.I.F.	NA	Total	114,096,479	114,096,479	114,096,479	614,671	1.0	3.02%	0.00
<b>CASH &amp; EQUIVALENTS</b>		<b>TOTAL</b>	<b>122,372,535</b>	<b>122,372,535</b>	<b>122,372,535</b>	<b>635,204</b>	<b>1.0</b>	<b>2.96%</b>	<b>0.00</b>

**POOLED INVESTMENTS (SHORT)**

<b>Bankers Acceptances - Discount</b>		<b>Total</b>	-	-	-	-	-	0.00%	-
<b>Commercial Paper - Discount</b>		<b>Total</b>	-	-	-	-	-	0.00%	-
BANK OF AMER N A DISC C/D	AA+	06050GCB4	15,000,000	15,000,000.00	14,928,864.00	277,491.60	9/15/05	1.63%	0.21
BLACKROCK PROVIDENT TEMP FUND DOLLAR #2C	N/A	S99990540	0	0.02	0.02	-	7/1/05	0.00%	0.00
<b>Certificates of Deposits</b>		<b>Total</b>	<b>15,000,000</b>	<b>15,000,000</b>	<b>14,928,864</b>	<b>277,491.60</b>	<b>77.0</b>	<b>1.63%</b>	<b>0.21</b>
<b>Reverse Repurchase Agreements</b>		<b>Total</b>	-	-	-	-	-	0.00%	-
<b>Repurchase Agreements</b>		<b>Total</b>	-	-	-	-	-	0.00%	-
FEDERAL FARM CR BKS 2.625 DEC 15 05	GOVT	31331QMJ3	10,000,000.00	9,964,400.00	9,956,250.00	11,666.60	12/15/05	2.64%	0.45
FEDERAL FARM CR BKS CONS	GOVT	31331SQX4	5,000,000.00	4,997,103.15	4,982,812.50	55,416.65	9/7/06	3.51%	1.14
FEDERAL FARM CR BKS CONS	GOVT	31331TEY3	11,500,000.00	11,426,273.50	11,456,875.00	55,660.00	9/22/05	1.77%	0.22
FEDERAL FARM CR BKS CONS	GOVT	31331TVP3	6,000,000.00	6,007,500.00	5,930,625.00	37,666.62	3/8/06	2.02%	0.67
FEDERAL HOME LN MTG CORP	GOVT	3128X13L9	6,500,000.00	6,532,500.00	6,467,565.00	24,456.25	10/28/05	2.16%	0.32
FEDERAL HOME LN MTG CORP DEB	GOVT	3128X1Y35	2,810,000.00	2,819,863.10	2,797,383.10	10,927.75	10/21/05	2.01%	0.30
FEDERAL HOME LN MTG CORP M/T/N STEP CPN	GOVT	3128X2Z40	5,000,000.00	5,001,500.00	4,923,437.50	-	4/5/07	2.16%	1.69
FEDERAL HOME LN MTG CORP M/T/N STEP CPN	GOVT	3128X3CB7	5,000,000.00	5,000,000.00	4,968,900.00	-	5/5/06	2.01%	0.82
FEDERAL HOME LN BKS DEB	GOVT	31339XF41	3,500,000.00	3,500,000.00	3,427,812.50	3,208.31	6/19/07	2.81%	1.89
FEDERAL HOME LN BKS	GOVT	31339XGL2	5,000,000.00	4,994,400.00	4,921,875.00	5,541.65	6/12/06	2.13%	0.93
FEDERAL HOME LN BKS	GOVT	3133MCHS7	20,000,000.00	20,679,600.00	20,206,250.00	166,111.00	11/15/05	6.43%	0.37
FEDERAL HOME LN BKS DEB	GOVT	3133MQ3S1	1,105,000.00	1,109,022.20	1,104,654.69	13,566.94	8/15/05	3.25%	0.12



City of Long Beach Asset Holdings

Month End: 6/30/05

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
FEDERAL HOME LN BKS DEB	GOVT	3133X4NL1	4,000,000.00	3,996,250.00	3,985,000.00	19,250.00	9/16/05	1.66%	0.21
FEDERAL HOME LN BKS DEB	GOVT	3133X5GP7	1,000,000.00	1,000,000.00	979,375.00	6,572.22	3/30/07	2.65%	1.67
FEDERAL HOME LN BKS DEB	GOVT	3133X5GS1	1,370,000.00	1,370,000.00	1,340,031.25	8,761.52	3/30/07	2.59%	1.67
FEDERAL HOME LN BKS	GOVT	3133X5QJ0	10,000,000.00	10,000,000.00	9,896,875.00	40,444.40	12/30/05	1.62%	0.49
FEDERAL NATL MTGE ASSN DISCOUNT NT	GOVT	313589JL8	10,000,000.00	9,800,869.44	9,981,000.00	-	7/22/05	2.09%	0.06
FEDERAL NATL MTG ASS 2.25 28FEB2006	GOVT	31359MUA9	4,000,000.00	4,018,750.00	3,962,500.00	30,750.00	2/28/06	2.27%	0.64
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F44N1	6,000,000.00	5,997,000.00	5,917,500.00	56,949.96	8/17/06	2.59%	1.09
FEDERAL NATL MTG ASSN M/T/N STEP CPN	GOVT	3136F44Z4	10,000,000.00	9,995,500.00	9,887,500.00	-	8/9/06	1.64%	1.07
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F4MG6	10,000,000.00	9,906,250.00	9,903,125.00	35,555.50	1/27/06	2.02%	0.56
FEDERAL NATL MTG ASSN MEDIUM	GOVT	3136F5LZ2	5,000,000.00	5,000,000.00	4,926,562.50	22,118.05	3/30/06	1.78%	0.73
<b>U.S. Agencies</b>		<b>Total</b>	<b>142,785,000</b>	<b>143,116,781</b>	<b>141,923,909</b>	<b>604,623</b>	<b>237.8</b>	<b>2.74%</b>	<b>0.63</b>
UNITED STATES TR NTS	GOVT	912828BJ8	10,000,000.00	10,068,750.00	9,980,100.00	66,847.80	8/31/05	1.13%	0.19
UNITED STATES TREAS NOTES	GOVT	912828BL3	5,000,000.00	4,982,421.88	4,981,050.00	20,423.45	9/30/05	1.63%	0.25
UNITED STATES TREAS 1.625 FEB 28 06	GOVT	912828CB4	5,000,000.00	4,973,437.50	4,940,800.00	27,156.90	2/28/06	1.64%	0.65
UNITED STATES TREAS 2.375 AUG 31 06	GOVT	912828CU2	7,500,000.00	7,375,195.31	7,398,046.88	60,523.13	8/31/06	3.29%	1.13
UNITED STATES TREAS NTS	GOVT	912828DS6	5,000,000.00	5,000,000.00	4,997,250.00	31,204.20	4/30/07	3.63%	1.75
<b>U.S. Treasuries</b>		<b>Total</b>	<b>32,500,000</b>	<b>32,399,805</b>	<b>32,297,247</b>	<b>206,155</b>	<b>271.9</b>	<b>2.17%</b>	<b>0.73</b>
GENERAL ELEC CAP CORP M/T/N	AAA	36962GVM3	9,533,000.00	10,003,548.88	9,628,520.66	108,040.63	11/1/2005	6.73%	0.32
ROLLINS TRUCK LEASING CORP	AAA	775741AJ0	5,500,000.00	6,034,930.00	5,628,755.00	88,687.50	4/5/2006	6.60%	0.72
<b>Corporate Notes</b>		<b>Total</b>	<b>15,033,000</b>	<b>16,038,479</b>	<b>15,257,276</b>	<b>196,728</b>	<b>181.3</b>	<b>6.68%</b>	<b>0.47</b>
<b>POOLED INVESTMENTS (SHORT)</b>		<b>TOTAL</b>	<b>205,318,000</b>	<b>206,555,065</b>	<b>204,407,296</b>	<b>1,284,999</b>	<b>227.1</b>	<b>2.86%</b>	<b>0.60</b>
<b>SHORT TERM FUNDS</b>		<b>TOTAL</b>	<b>327,690,535</b>	<b>328,927,600</b>	<b>326,779,830</b>	<b>1,920,203</b>	<b>142.5</b>	<b>2.91%</b>	<b>0.38</b>
<b>POOLED INVESTMENTS (LONG TERM)</b>									
FEDERAL FARM CREDIT BANK DISCOUNT	GOVT	313313YD4	5,000,000	4,826,937.50	4,821,500.00	-	6/16/06	3.68%	0.94
FED FARM CRED BANK 5.15 17APR2006	GOVT	31331LFM5	10,000,000	9,924,800.00	10,109,375.00	105,861.10	4/17/06	5.09%	0.77
FEDERAL FARM CR BKS CONS	GOVT	31331QJC2	8,740,000	8,977,618.75	8,658,062.50	36,125.30	11/13/06	3.13%	1.32
FEDERAL FARM CR BKS CONS	GOVT	31331QKC0	20,000,000	19,961,200.00	19,931,250.00	63,888.80	11/15/05	2.51%	0.37
FEDERAL FARM CR BKS CONS	GOVT	31331QKV8	10,000,000	10,000,000.00	9,950,000.00	28,388.80	12/3/07	3.67%	2.29
FEDERAL FARM CR BKS CONS M/T/N	GOVT	31331SDZ3	5,000,000	4,959,375.00	4,951,562.50	32,888.85	10/27/08	3.74%	2.62
FEDERAL FARM CR BKS CONS	GOVT	31331SFP3	10,000,000	9,790,000.00	9,806,250.00	51,333.30	11/5/08	3.37%	3.12
FEDERAL FARM CR BKS CONS	GOVT	31331SGQ0	5,000,000	4,898,638.10	4,912,500.00	5,833.30	12/17/07	3.05%	2.34
FEDERAL FARM CR BKS CONS	GOVT	31331SNF6	5,000,000	4,995,335.00	4,970,312.50	78,125.00	1/15/09	3.40%	3.23
FEDERAL FARM CR BKS CONS	GOVT	31331TGN5	9,000,000	8,871,300.00	8,845,312.50	52,843.68	10/2/06	2.42%	1.21
FEDERAL FARM CR BKS CONS	GOVT	31331TVJ7	10,000,000	9,789,800.00	9,759,375.00	87,750.00	9/4/07	2.77%	2.07
FEDERAL FARM CR BKS CONS	GOVT	31331TYF2	5,000,000	4,870,900.00	4,875,000.00	37,916.65	9/17/07	2.69%	2.11

City of Long Beach Asset Holdings

Month End: 6/30/05

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
FEDERAL HOME LN BKS DEB STP CPN	GOVT	31339XUD4	10,000,000	9,878,900.00	9,865,625.00	72,500.00	7/7/06	1.52%	0.98
FED HOME LOANS BK 5.375 15FEB2006	GOVT	3133MD6L2	2,080,000	2,061,009.60	2,099,500.00	42,235.54	2/15/06	5.33%	0.60
FED HOME LOANS BK 5.375 15MAY2006	GOVT	3133MEU66	10,000,000	10,004,687.50	10,137,500.00	68,680.50	5/15/06	5.30%	0.84
FED HOME LOANS BK 4.125 15NOV2006	GOVT	3133MJUR9	2,695,000	2,587,792.90	2,705,106.25	14,204.89	11/15/06	4.11%	1.32
FED HOME LOAN BK 4.875 15NOV2006	GOVT	3133MKED5	10,000,000	9,946,800.00	10,131,250.00	62,291.60	11/15/06	4.81%	1.31
FEDERAL HOME LN BKS DEB	GOVT	3133MMXX6	4,000,000	4,169,200.00	4,093,750.00	81,222.20	2/15/07	5.25%	1.52
FEDERAL HOME LN BKS DEB	GOVT	3133MQ3S1	15,000,000	14,959,650.00	14,995,312.50	184,166.55	8/15/05	3.25%	0.12
FEDERAL HOME LN BKS	GOVT	3133X4C66	3,000,000	2,957,812.50	2,939,062.50	29,312.49	2/16/07	2.68%	1.56
FEDERAL HOME LN BKS DEB	GOVT	3133X8AK8	10,000,000	10,007,900.00	9,921,875.00	88,194.40	2/24/06	2.52%	0.63
FEDERAL HOME LN BKS DEB	GOVT	3133XAUN5	5,000,000	5,000,000.00	5,000,000.00	57,777.75	3/17/10	4.00%	1.10
FEDERAL HOME LN MTG CORP	GOVT	3128X1VW4	9,000,000	9,000,000.00	8,856,180.00	103,812.48	1/30/07	2.79%	1.51
FEDERAL HOME LN MTG CORP	GOVT	3128X1WM5	10,000,000	10,042,000.00	9,879,687.50	108,208.30	8/4/06	2.68%	1.05
FEDERAL HOME LN MTG 2.000 FEB 28 06	GOVT	3128X2E43	5,000,000	5,000,000.00	4,943,750.00	34,166.65	2/28/06	2.02%	0.64
FEDERAL HOME LN MTG CORP M/T/N	GOVT	3128X2L52	15,000,000	15,000,000.00	14,729,850.00	131,250.00	3/16/07	2.29%	1.63
FEDERAL HOME LN MTG 3.755 18MAR2009	GOVT	3128X2P90	5,000,000	4,940,274.00	4,962,500.00	53,717.35	3/30/09	3.78%	3.39
FEDERAL HOME LN MTG CORP	GOVT	3128X2RP2	6,000,000	5,998,125.00	5,902,620.00	65,083.32	2/9/07	2.80%	1.54
FEDERAL HOME LN MTG CORP	GOVT	3128X3BP7	10,000,000	10,000,000.00	9,859,375.00	53,333.30	5/1/07	3.04%	1.75
FEDERAL HOME LN MTG 3.75 15NOV2006	GOVT	3128X4AK7	10,000,000	9,992,500.00	9,993,400.00	67,708.30	11/29/06	3.75%	1.32
FEDERAL HOME LN MTG C 3.8 27DEC2006	GOVT	3128X4DS7	10,000,000	9,998,400.00	10,000,000.00	4,222.20	12/30/06	3.80%	1.44
FEDERAL HOME LN MTG 5.250 JAN 15 06	GOVT	3134A4CX0	5,000,000	4,995,000.00	5,037,500.00	121,041.65	1/15/06	5.21%	0.52
FEDERAL HOME LN MTG 3.500 SEP 15 07	GOVT	3134A4RH9	10,000,000	9,965,500.00	9,937,500.00	103,055.50	9/15/07	3.52%	2.08
FEDERAL HOME LN MTG CORP	GOVT	3134A4UB8	10,000,000	9,917,300.00	9,887,500.00	103,888.80	8/15/06	2.78%	1.08
FEDERAL NTL MTG ASSN 5.250 JUN 15 06	GOVT	31359MJX2	10,000,000	9,978,440.00	10,137,500.00	23,333.30	6/15/06	5.18%	0.93
FNMA 4.375 15OCT2006	GOVT	31359MLH4	10,000,000	9,806,500.00	10,081,250.00	92,361.10	10/15/06	4.34%	1.23
FED NATL MORT ASSC 5 NT 15/01/2007	GOVT	31359MLZ4	10,000,000	10,591,000.00	10,181,250.00	230,555.50	1/15/07	4.91%	1.44
FEDERAL NATL MTG ASSN	GOVT	31359MPT4	10,000,000	10,139,200.00	9,981,250.00	60,694.40	10/15/05	2.88%	0.29
FEDERAL NATL MTG ASSN	GOVT	31359MSC8	15,000,000	14,970,000.00	14,732,812.50	36,562.50	6/14/08	3.31%	2.75
FEDERAL NATL MTG AS 2.625 19JAN2007	GOVT	31359MTX1	10,000,000	9,976,100.00	9,821,875.00	118,125.00	1/19/07	2.67%	1.48
FEDERAL NATL MTG ASSN	GOVT	31359MWT6	5,000,000	4,980,750.00	4,959,375.00	21,562.50	5/15/07	3.40%	1.98
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F3Q58	10,000,000	10,000,000.00	9,703,125.00	139,791.60	7/16/08	3.14%	2.83
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F3V86	5,000,000	5,000,000.00	4,898,437.50	70,441.65	7/23/08	3.28%	2.73
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F5ED9	10,000,000	9,880,000.00	9,846,875.00	62,569.40	5/16/06	2.16%	0.93
FEDERAL NATL MTG ASSN MEDIUM	GOVT	3136F6NZ8	20,000,000	19,972,000.00	19,956,250.00	51,750.00	12/8/08	4.01%	2.17
FEDERAL NATL MTG ASSN MEDIUM	GOVT	3136F6TC3	565,000	563,474.50	561,468.75	170.68	12/28/07	3.65%	2.36
<b>U.S. Agencies</b>		<b>Total</b>	<b>395,080,000</b>	<b>394,146,220</b>	<b>392,330,813</b>	<b>3,138,946</b>	<b>611.6</b>	<b>3.39%</b>	<b>1.48</b>
UNITED STATES TREAS 3.000 NOV 15 07	GOVT	912828AN0	20,000,000	19,680,740.63	19,709,375.00	76,630.40	11/15/07	3.04%	2.26
UNITED STATES TREAS 3.000 FEB 15 08	GOVT	912828AT7	5,000,000	4,882,812.50	4,918,950.00	56,353.55	2/29/08	3.05%	2.47
WI TREASURY SEC.	GOVT	912828AY6	20,000,000	19,887,500.00	19,743,750.00	51,086.80	5/15/06	2.03%	0.86
UNITED STATES TREAS 2.625 MAY 15 08	GOVT	912828AZ3	20,000,000	19,307,150.14	19,435,200.00	67,051.60	2/15/08	3.47%	2.72
UNITED STATES TREAS 3.250 AUG 15 08	GOVT	912828BG4	5,000,000	4,868,750.00	4,937,700.00	61,049.70	8/15/08	3.29%	2.91
UNITED STATES TREAS 3.125 SEP 15 08	GOVT	912828BK5	15,000,000	14,637,890.63	14,745,750.00	137,567.85	9/15/08	3.18%	2.99

**City of Long Beach Asset Holdings**

Month End: 6/30/05

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
UNITED STATES TREAS 3.125 OCT 15 08	GOVT	912828BM1	10,000,000	9,742,578.13	9,825,400.00	65,744.50	10/15/08	3.18%	3.07
UNITED STATES TREAS 3.375 NOV 15 08	GOVT	912828BQ2	10,000,000	9,832,812.50	9,898,800.00	43,104.60	11/28/08	3.41%	3.15
UNITED STATES TREAS 3.250 JAN 15 09	GOVT	912828BV1	5,000,000	4,836,328.13	4,928,700.00	74,965.45	1/15/09	3.30%	3.26
UNITED STATES TREAS 3.000 FEB 15 09	GOVT	912828BZ2	5,000,000	4,866,015.00	4,883,200.00	56,353.55	2/15/09	3.07%	3.36
UNITED STATES TREAS NTS	GOVT	912828CC2	15,000,000	14,307,031.26	14,453,250.00	115,557.00	3/15/09	2.72%	3.26
UNITED STATES TREAS 3.125 15APR2009	GOVT	912828CE8	15,000,000	14,640,234.38	14,699,400.00	98,616.75	4/30/09	3.19%	3.51
UNITED STATES TREAS 3.125 MAY 15 07	GOVT	912828CG3	10,000,000	9,901,562.51	9,905,500.00	39,911.60	5/15/07	3.15%	1.80
UNITED STATES TREAS 3.625 JUL 15 09	GOVT	912828CN8	5,000,000	4,904,687.50	4,983,400.00	83,615.30	7/15/09	3.64%	3.66
UNITED STATES TR NTS 8/15/2007	GOVT	912828CR9	15,000,000	14,701,562.50	14,723,437.50	154,972.35	15/07	2.80%	2.02
UNITED STATES TREAS 3.375 FEB 15 08	GOVT	912828DK3	15,000,000	14,892,968.76	14,890,950.00	190,193.25	2/15/08	3.40%	2.46
UNITED STATES TREAS 3.500 MAY 31 07	GOVT	912828DW7	10,000,000	9,981,250.00	9,969,500.00	29,483.60	5/31/07	3.51%	1.83
<b>U.S. Treasuries</b>		<b>Total</b>	<b>200,000,000</b>	<b>195,871,875</b>	<b>196,652,263</b>	<b>1,402,258</b>	<b>986.1</b>	<b>3.07%</b>	<b>2.53</b>
AMERICAN GENERAL FI 5.875 14JUL2006	A+	02635PRG0	5,000,000	4,997,700.00	5,086,450.00	62,013.85	7/14/06	5.78%	0.97
BANK OF AMERICA CORP 3.250 AUG 15 08	AA-	060505BC7	5,000,000	4,985,100.00	4,879,050.00	61,388.85	8/15/08	3.33%	2.90
GENERAL ELEC CAP CORP MEDIUM	AAA	36962GA46	10,000,000	10,050,800.00	9,949,800.00	119,541.60	1/30/06	2.86%	0.55
GENERAL ELEC CAP CORP M/T/N	AAA	36962GD68	13,730,000	13,896,662.80	13,568,947.10	181,541.08	8/15/07	3.54%	1.98
GENERAL ELEC CAP CORP MTN	AAA	36962GJ96	10,000,000	9,990,500.00	9,901,100.00	127,875.00	7/26/06	3.00%	1.01
GENERAL ELECTRIC CA 5.375 15MAR2007	AAA	36962GXY5	2,000,000	1,998,300.00	2,043,340.00	31,652.76	3/15/07	5.26%	1.58
GENERAL ELEC CAP CORP M/T/N	AAA	36962GZM9	10,000,000	10,000,000.00	9,986,900.00	73,088.80	10/3/05	2.99%	0.24
MERRILL LYNCH & CO INC M/T/N	A+	59018YQY0	10,000,000	10,066,300.00	9,878,800.00	38,733.30	5/5/06	2.52%	0.81
<b>Corporate Bonds</b>		<b>Total</b>	<b>65,730,000</b>	<b>65,985,363</b>	<b>65,294,387</b>	<b>695,835</b>	<b>449.4</b>	<b>3.33%</b>	<b>1.15</b>
<b>Asset Backed Securities</b>		<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
<b>Bankers Acceptance</b>		<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
<b>Commercial Paper - Discount</b>		<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
<b>Certificates of Deposits</b>		<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
<b>Corporate Notes</b>		<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
COLLATERAL ASSETS		285642	5,000,000	4,995,500	5,000,000	15,972	11/15/05	2.50%	0.37
<b>Collateral</b>		<b>Total</b>	<b>5,000,000</b>	<b>4,995,500</b>	<b>5,000,000</b>	<b>15,972</b>	<b>138.0</b>	<b>2.50%</b>	<b>0.37</b>
Health SAVRS		572965	3,552,590.74	3,586,778.51	3,552,590.74	24,064.67	4/22/19	3.26%	13.82
<b>Other</b>		<b>Total</b>	<b>3,552,590.74</b>	<b>3,586,778.51</b>	<b>3,552,590.74</b>	<b>24,064.67</b>	<b>5,044.0</b>	<b>3.26%</b>	<b>13.82</b>

**City of Long Beach Asset Holdings**

Month End: 6/30/05

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
<b>POOLED INVESTMENTS (LONG TERM)</b>		<b>TOTAL</b>	<b>669,362,591</b>	<b>664,585,736</b>	<b>662,830,053</b>	<b>5,277,076</b>	<b>726.7</b>	<b>3.28%</b>	<b>1.82</b>
<b>POOLED INVESTMENTS (TOTAL)</b>		<b>TOTAL</b>	<b>874,680,591</b>	<b>871,140,801</b>	<b>867,237,348</b>	<b>6,562,075</b>	<b>609.1</b>	<b>3.19%</b>	<b>1.53</b>
<b>EXTERNAL INVESTMENTS (LONG TERM)</b>									
FEDERAL FARM CR BKS CONS	GOVT	31331QFH5	10,000,000	10,181,250	9,971,875	55,556	10/11/05	2.51%	0.27
FED HOME LN BANK	GOVT	31339X2X1	15,000,000	15,051,135	14,789,063	20,350	6/9/06	2.66%	0.92
FEDERAL HOME LN BKS	GOVT	31339XHJ6	5,000,000	4,990,625	4,896,875	40,639	3/26/08	3.14%	2.53
FEDERAL HOME LN BKS	GOVT	31339XTT1	10,000,000	9,978,125	9,768,750	107,500	1/9/07	2.30%	1.46
FEDERAL HOME LN BKS	GOVT	31339YVV1	10,000,000	10,065,625	9,809,375	150,000	7/21/08	3.44%	2.82
FEDERAL HOME LN BKS	GOVT	3133MQST2	10,000,000	10,158,950	9,993,750	113,333	8/18/05	3.00%	0.12
FEDERAL HOME LN BKS DEB	GOVT	3133MTL89	5,000,000	5,066,060	4,981,250	15,972	11/15/05	2.51%	0.37
FEDERAL HOME LN BKS	GOVT	3133MUMU6	10,000,000	10,104,200	9,950,000	11,111	12/15/05	2.01%	0.45
FEDERAL HOME LN BKS DEB	GOVT	3133X3QY2	20,000,000	19,915,000	19,668,750	217,733	2/9/07	2.81%	1.54
FEDERAL HOME LN BKS	GOVT	3133X5PV4	5,000,000	4,906,350	4,914,063	282	6/30/06	2.07%	0.97
FEDERAL HOME LN MTG CORP	GOVT	3128X1DK0	7,000,000	7,013,720	6,820,380	19,892	11/28/07	3.18%	2.26
FEDERAL HOME LN MTG CORP	GOVT	3128X1HM2	10,000,000	9,815,700	9,659,000	22,819	5/30/08	2.74%	2.76
FEDERAL HOME LN MTG CORP M/T/N	GOVT	3128X1LD7	10,000,000	9,966,800	9,775,800	3,125	12/26/06	2.30%	1.44
FEDERAL HOME LN MTG CORP	GOVT	3128X2ZC2	3,500,000	3,499,453	3,461,719	24,889	2/23/06	2.02%	0.63
FHLMC 5.5 15JUL2006	GOVT	3134A4GK4	20,000,000	21,594,000	20,343,750	507,222	7/15/06	5.41%	0.98
FEDERAL HOME LN MTG CORP DEB	GOVT	3134A4UN2	20,000,000	19,942,300	19,556,250	179,444	2/15/07	2.44%	1.56
FEDERAL NATL MTG ASS 6.000 DEC 15 05	GOVT	31359MGM9	10,000,000	10,729,900	10,106,250	26,667	12/15/05	5.94%	0.45
FEDERAL NATL MTG ASSN	GOVT	31359MQZ9	15,000,000	15,079,688	14,812,500	67,292	4/15/06	2.15%	0.77
FEDERAL NATL MTG ASSN	GOVT	31359MUA9	2,000,000	2,011,460	1,981,250	15,375	2/28/06	2.27%	0.64
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F3D29	10,000,000	9,818,750	9,646,875	736	6/30/08	2.75%	2.84
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F3P26	10,000,000	10,003,125	9,906,250	87,778	1/23/06	2.04%	0.55
FEDERAL NATL MTG ASSN M/T/N	GOVT	3136F4SP0	10,000,000	10,018,300	9,893,750	36,789	11/17/06	3.04%	1.33
FEDERAL NATL MTG ASSN MEDIUM	GOVT	3136F5HB0	18,000,000	18,007,031	17,797,500	109,720	3/17/06	2.13%	0.70
FEDERAL NATL MTG ASSN MEDIUM	GOVT	3136F5SP7	10,000,000	9,980,000	9,893,750	35,417	5/10/06	2.53%	0.84
<b>U.S. Agencies</b>		<b>Total</b>	<b>255,500,000</b>	<b>257,897,547</b>	<b>252,398,774</b>	<b>1,869,640</b>	<b>464.6</b>	<b>2.91%</b>	<b>1.21</b>
UNITED STATES TREAS 7.000 JUL 15 06	GOVT	912827Y55	10,000,000	11,170,313	10,346,500	322,928	7/15/06	6.77%	0.97
UNITED STATES TREAS NTS	GOVT	912828BU3	10,000,000	10,007,031	9,924,600	510	12/31/05	1.89%	0.49
UNITED STATES TREAS 1.625 FEB 28 06	GOVT	912828CB4	10,000,000	9,974,219	9,881,600	54,314	2/28/06	1.90%	0.65
UNITED STATES TREAS NTS	GOVT	912828CU2	10,000,000	9,960,156	9,864,063	80,698	8/31/06	2.41%	1.13
<b>U.S. Treasuries</b>		<b>Total</b>	<b>40,000,000</b>	<b>41,111,719</b>	<b>40,016,763</b>	<b>458,449</b>	<b>309.9</b>	<b>3.28%</b>	<b>0.81</b>
GENERAL ELEC CAP CORP MEDIUM	AAA	36962GE34	10,000,000	10,115,300	9,855,300	73,333	9/25/06	2.79%	1.19
MERRILL LYNCH & CO INC M/T/N	A+	59018YQY0	3,315,000	3,341,619	3,274,822	12,840	5/5/06	2.52%	0.81
<b>Corporate Bonds</b>		<b>Total</b>	<b>13,315,000</b>	<b>13,456,919</b>	<b>13,130,122</b>	<b>86,173</b>	<b>416.4</b>	<b>2.72%</b>	<b>1.10</b>

**City of Long Beach Asset Holdings**

Month End: 6/30/05

Security Name	Quality Rating	Security (CUSIP)	PAR Value	Book Value	Market Value	Accrued Income	Maturity Date	Market Yield	Effective Duration
<b>Bankers Acceptances - Discount</b>		Total	-	-	-	-	-	0.00%	-
<b>EXTERNAL INVESTMENTS (LONG TERM)</b>		TOTAL	308,815,000	312,466,185	305,545,658	2,414,262	442.2	2.95%	1.15
<b>LONG TERM FUNDS</b>		TOTAL	978,177,591	977,051,921	968,375,711	7,691,338	637.0	3.18%	1.61
<b>TOTAL FUNDS</b>	AAAf	TOTAL	1,305,868,125	1,305,979,521	1,295,155,542	9,611,541	512.4	3.11%	1.30

### Glossary of Investment Terms

TERM	DEFINITION
American Depository Receipts (ADR)	Receipt for the shares of foreign-based companies that are held in U.S. banks and sold in the U.S. market. Also known as ADSs—American Depository Shares.
Asset Allocation	Investing in different classes of securities to mitigate risk from market fluctuations in interest rates. Identifies the risk characteristics of the portfolio.
Accrued Interest	The amount earned from the date of purchase to maturity or the coupon payment date.
Bankers Acceptances	A draft or bill of exchange accepted by a bank or trust company, used primarily to finance international trade. Bankers Acceptances (BA) are usually issued at a discount with payment of par value upon maturity. Maturity dates range from one day to 186 days.
Basis Point	The smallest measure used for quoting yields on bonds and notes. One basis point is equal to 1/100 percent or 0.01% of yield. For example, if the Federal Reserve increases rates 50 basis points, or a bond's yield changes 50 basis points, that equates to 0.5% or ½ of 1%.
Bear Market	Period of falling stock prices. A bear stock market usually indicates the anticipation of a declining economy. A bear bond market indicates rising interest rates.
Benchmark	A benchmark consists of a collection of securities that show return on investment over time. This is a passive measurement and does not evaluate active investment management. An example of a benchmark would be the Merrill Lynch 1-3 year Corporate/ Government Index that includes all Government Agency and Corporation debt issues over \$150 million that mature from one to three years. When a security's maturity becomes less than one year, the security is removed from the index; conversely, a security that's maturity date becomes less than four years is included in the index.
Bond	A debt security. It is usually issued by government agencies, municipalities, and corporations. The purchaser actually lends the entity money and so is considered the creditor. The entity is the seller and is considered the debtor or issuer. The issuer agrees to repay the principal amount of the loan at a specified time (maturity). Interest bearing bonds pay interest periodically at a predetermined time. A discounted bond such as a Zero Coupon bond pays no interest. It is sold at a discount from face value and the investor receives a rate of return through price appreciation and the bond is redeemed at face value.
Book Value	The cost value at which an asset is carried on a balance sheet. This value is the cost of principal, less accrued interest. Book value may be more or less than market value.
Broker-Dealer	A firm or individual acting as both a principal and an agent. A Broker acts on behalf of the client searching for the best deal in the market place. A Dealer acts on behalf of itself in making the market. A Dealer may hold a position and maintain inventories of securities. A Broker carries out the transaction but does not take possession of the security or maintain inventories.
Bull Market	A period of rising prices. The beginning of a bull stock market usually signals economic growth.
Callable Security	A debt security that may at the option of the original issuer be refunded or "called" prior to the stated maturity of the security. Callable investments may be structured to be callable one time, quarterly, semi-annually or continuously callable on published dates of the issue.

### Glossary of Investment Terms

TERM	DEFINITION
Certificate of Deposit (CD)	Debt instrument issued by a bank. Maturities can be from 7 days to 1 year or longer. A time Certificate of Deposit is registered in the name of the depositor. Interest rates for public funds must be paid on a 360-day year. All public funds deposits must be insured or collateralized.
Collected Funds	Funds that are immediately available to the depositor.
Commercial Paper	Short-term debt obligations with normal maturities ranging from several days to nine months. The debt is usually discounted, issued by banks and corporations, and normally unsecured although often backed by a bank line of credit.
Coupon Rate	The specified annual interest rate payable to the bond or note holder by the issuer. The rate may be fixed or float to an index, such as the three month LIBOR
Credit Rating	A declaration of the credit worthiness of an investment portfolio or debt issue, the major national rating agencies are Standard and Poor's, Moodys Investor Service and Fitch Investors Service
Current Yield	Annual dividend or interest rate divided by the current market price.
Custodian	Bank or financial institution that actually holds the securities and assets for a client or fund.
Derivative	A type of security whose value is derived from an underlying asset. Derivatives range from simple option contracts, to forward and future contracts, to extremely complex and volatile products such as interest rates or currency swaps. Except for the plain vanilla derivatives such as options, these products are better left to the sophisticated institutional traders.
Discount	<ol style="list-style-type: none"> <li>1. The difference between a bond's current price and its face value.</li> <li>2. Some debt instruments such as Treasury bills and Zero Coupon bonds are sold at prices far below the actual maturity value. These deep discount instruments do not pay interest. Instead, one interest payment is recorded when the security matures or sold. If held to maturity, investor receives the par value of the security. The yield is determined by the price appreciation.</li> </ol>
Discount Rate	The interest rate charged by the Federal Reserve for loans to member banks. The Fed changes rates in an attempt to control monetary policy. When the Fed increases rates, or tightens the money supply, entities borrow less, and consequently there is less money available for all uses. The effect is to slow down the economy. The alternative is that the Fed lowers rates, or eases the money supply. Money is more readily available, encouraging economic growth.
Discount Securities	Non-interest bearing investments that are issued at a discount and redeemed at maturity for the full face value or par value. Examples of discount securities are U.S. Treasury Bills, Commercial Paper, Bankers Acceptances and Federal Agency discount notes.
Diversification	A method of reducing risk through asset allocation. Diversification can be by type of security, issuer, maturity date and amount of funds invested. By investing in several different trading vehicles the risk associated with owning only one asset is spread out. Investing in a range of maturity dates protects the portfolio from unrealized losses due to market rate fluctuations.
Dividend	Earnings of a corporation or mutual fund passed on to shareholders.

### Glossary of Investment Terms

TERM	DEFINITION
Duration	Time weighted life of a bond with the weights being the cash flows. It denotes the years necessary to recover the investment. For example, if the duration is 7.2, that means it will take 7.2 years to recoup the investment.
Fixed Income Investment	Normally refers to debt issued by government, municipal and corporate issues. These securities usually pay a fixed rate of return.
Government National Mortgage Association (GNMA)	Also known as "Ginnie Mae." It is a government-owned agency of HUD which assists in housing financing. It guarantees the full and timely payment of monthly principal and interest on mortgage backed securities.
Guaranteed Income Contract (GIC)	A contract between an insurance company and a corporate profit-sharing or pension plan that guarantees a specific rate of return on the invested capital over the life of the contract.
Interest Income	The return on an investor's capital investment. For a bond, the current yield is the coupon rate of interest divided by the purchase price. Yields on bonds are inversely related to bond prices. As the prices of bonds go up, the yield declines.
Liquidity	The ability to convert assets into immediate cash. Short-term investments such as money markets and T Bills are considered liquid instruments whereas long term bonds and stocks are assumed to be less liquid.
Management Fee	The amount charged against investor assets for advisory service. The standard industry mutual fund management fee is approximately 0.5% of fund assets.
Market Value	The current market value of the security. The amount at which a financial instrument can be exchanged (current transaction) between willing parties.
Market Yield	Total earnings yield which are comprised of dividends, accrued interest, capital gains distributions, and price appreciation/depreciation. Price appreciation/depreciation will not be realized if the security is held to maturity.
Maturity	The date on which a bond's principal is due and repaid to the investor.
Medium Term Corporate Notes (MTNs)	Debt issues by major corporations organized and operating within the United States. These securities can be either unsecured or secured by collateral; payment is based on 30 days over 360 days. The City can only invest up to 30% of the portfolio in MTNs with a credit rating of AAA, AA or A from a nationally recognized rating service.
Municipal Bond	A debt instrument issued by a state or local government. The interest is exempt from federal income taxation, and also exempt from federal and local tax in the issuing state. There are generally two types: General Obligation (GO) and revenue bonds. GOs are backed by the full faith and credit of the taxing power of the issuer and revenue bonds are backed by the particular revenues or incomes from the project.
Negotiable Certificates of Deposit (NCDs)	Certificates of Deposit issued by banks that are in negotiable or bearer form. These certificates are not insured or collateralized. Interest is generally paid at maturity.
Par Value	The face value of a debt issue, the amount of principal the bondholder will receive at maturity.



### Glossary of Investment Terms

TERM	DEFINITION
Price Risk	The risk a debt security's price may change due to a rise or fall in current market interest rates.
Risk	The possibility that an investment will not perform as anticipated. An acceptable degree of risk must be determined by the individual with the understanding that the higher the expected return, the greater the risk factor. There are many different kinds of risk, such as exchange, inflation, interest rate, liquidity, political, et cetera. Most investors are considered to be risk adverse. That is, they seek security over risk.
12(b)-1 Fee	Named after the applicable SEC rule, these are promotional fees charged by mutual funds to pay for distribution costs and commissions. The NASD placed caps on the fees in 1993. The fees are explained in the prospectus.
Treasury Bills	Short-term debt issued by the U.S. government with maximum maturity of one year. Bills are sold at discount. The difference between purchase price and maturity value is considered as the interest.
Treasury Bond	Long-term debt issued by the U.S. government with maturity of over 10 years. U.S. bonds have the highest rating of fixed income securities, and so offer a lower yield than municipals and corporates. Bonds usually pay interest semi-annually and can be callable; however, usually only in the later years.
Treasury Note	Intermediate term interest bearing debt issued by the U.S. government with maturity of 1-10 years. Notes do pay interest and can be callable.
Yield	The return on an investor's capital investment. For a bond, the current yield is the coupon rate of interest divided by the purchase price. Yields on bonds are inversely related to bond prices. As the prices of bonds go up, the yield declines.
Yield Curve	Traces yields on securities with varying maturities. The normally upward sloping curve is called the positive yield curve. Interest rates for long-term rates are higher than short-term rates. An inverted yield curve occurs in a situation where short-term interest rates are higher than long-term rates. This occurs when the demand for short-term credit drives up the rates on instruments such as Treasury bills. It can be an indicator of an unhealthy economy with high inflation and little consumer confidence.
Yield to Call Date (YTC)	The calculated yield on a bond from the purchase date until the first call date. The call date is the date(s) that the issuer of the debt security may refund or "call" the security. Securities that are called are usually refunded at par value.
Yield to Maturity (YTM)	The calculated yield on a bond from the current date until maturity. It is expressed as the rate of return on a bond that includes the total annual interest payments, purchase price, redemption value and time to maturity. The YTM is only effective if the bond is held to maturity.