



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** January 31, 2012

**TO:** Mayor and Councilmembers

**FROM:** Treasury Division, Finance Department

**SUBJECT:** December 31, 2011, Investment Report And December 31, 2011, Fiscal Agent Report

**RECOMMENDATION:** That Council:

- A. Accept the December 31, 2011, Investment Report; and
- B. Accept the December 31, 2011, Fiscal Agent Report.

### **DISCUSSION:**

On a quarterly basis, staff submits a comprehensive report on the City's portfolio and related activity pursuant to the City's Annual Statement of Investment Policy. The current report covers the investment activity for October through December 2011.

Financial markets rebounded in the final quarter of 2011, a year marked by tremendous market volatility. The strong fourth quarter results reflected modest expansion in the manufacturing and service sectors, higher consumer confidence, and improved employment data. Additionally, markets appeared to correct after the substantial sell-off during the third quarter, when financial markets posted the worst performance since the first quarter of 2009 due to slow economic data, concerns over the European debt crisis, and the political divide in Washington in addressing the federal debt ceiling limit and federal budget deficit.

In the fourth quarter, the major indexes rebounded with double-digit increases. The Dow Jones Industrial Average (DJIA) index, which measures stocks from 30 industrial "blue-chip" companies, rose 12.78 percent from the previous quarter and 8.38 percent for the year; the S&P 500, composed of 500 "large-cap" companies across various sectors, was up 11.82 percent for the quarter and 2.11 percent for the year; and NASDAQ, which largely measures technology stocks, was higher by 7.86 percent for the quarter but down 1.8 percent for the year.

At its December meeting, the Federal Reserve Bank's Open Market Committee (FOMC) confirmed that high unemployment, modest income growth, a depressed housing market, and other factors continue to constrain U.S. economic growth. To encourage

the pace of economic recovery and address its statutory mandate of fostering maximum employment and stable inflation, the Committee announced that it would expand its long-term holdings by \$600 billion through June 30, 2012, continuing “Operation Twist.” Announced last September, “Operation Twist” is designed to encourage investors to take on riskier assets, lower the cost of borrowing, and stimulate consumer spending by holding longer term interest rates low.

At its December meeting, the Committee once again maintained the current federal funds rate at a target range of 0-1/4 percent, stating that current economic conditions are likely to warrant “exceptionally low levels for an extended period”. At its September meeting, the FOMC indicated that current interest rates are likely to continue through at least mid-2013.

Accordingly, Treasury yields were mostly lower by the end of the quarter. As shown in the table to the right, the change in Treasury yields ranged from no change for the yields on the 3-month Treasury bill and the 1- and 2-year Treasury notes to a decrease of 12 basis points on the 5-year Treasury note.

U.S. Treasury Market					
	9/30/2011	10/31/2011	11/30/2011	12/31/2011	Cumulative Change
3 Month	0.01%	0.00%	0.00%	0.01%	0.00%
6 Month	0.05%	0.04%	0.05%	0.06%	0.01%
1 Year	0.10%	0.11%	0.11%	0.10%	0.00%
2 Year	0.24%	0.24%	0.25%	0.24%	0.00%
3 Year	0.40%	0.38%	0.39%	0.35%	-0.05%
4 Year	0.68%	0.67%	0.67%	0.59%	-0.09%
5 Year	0.95%	0.96%	0.95%	0.83%	-0.12%
10 Year	1.92%	2.11%	2.07%	1.88%	-0.04%
30 Year	2.91%	3.13%	3.06%	2.89%	-0.02%
LAIF	0.38%	0.38%	0.38%	0.38%	0.00%

### Investment Activity

As shown in the Investment Activity table on the next page, the City invested \$16 million during the quarter. The purchases consisted of:

- \$14 million in “AAA” rated Federal Agency callable securities;
- \$2.0 million in a certificate of deposit

During the quarter, \$16 million of Federal Agency securities were called, \$2 million in securities matured, and \$2 million in certificates of deposit matured. In addition, the portfolio also received \$85,169 in a semi-annual principal payment on the Airport promissory note at the end of December.

# Council Agenda Report

December 31, 2011, Investment Report And December 31, 2011, Fiscal Agent Report

January 31, 2012

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Issuer	Face Amount	Purchase Date	Final Maturity	Call Date	Yield To Call	Yield To Maturity
<i>Purchases:</i>						
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	10/03/11	10/03/16	04/03/12	1.000%	1.612%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	10/19/11	10/19/16	07/19/12	1.500%	1.500%
Federal National Mortgage Association (FNMA)	2,000,000	10/28/11	10/28/16	10/28/13	1.551%	1.521%
Federal National Mortgage Association (FNMA)	2,000,000	11/09/11	11/09/16	11/09/12	1.525%	1.807%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	11/09/11	11/09/16	05/09/12	1.800%	1.800%
Montecito Bank & Trust CD (MBTCD)	2,000,000	11/18/11	11/18/13	-	-	0.800%
Federal National Mortgage Association (FNMA)	2,000,000	12/28/11	12/28/16	12/28/12	1.625%	1.625%
Federal National Mortgage Association (FNMA)	2,000,000	12/28/11	12/28/16	12/28/12	1.125%	1.641%
	16,000,000					
<i>Calls:</i>						
Federal Farm Credit Bank (FFCB)	2,000,000	10/28/10	10/28/15	11/08/11	1.540%	1.540%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	11/23/10	11/23/15	11/23/11	2.207%	1.845%
Federal Farm Credit Bank (FFCB)	2,000,000	12/10/10	12/08/14	12/08/11	2.139%	1.662%
Federal Farm Credit Bank (FFCB)	2,000,000	12/15/10	12/15/15	12/15/11	2.480%	2.480%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	09/27/11	09/27/16	12/27/11	1.550%	1.550%
Federal National Mortgage Association (FNMA)	2,000,000	12/28/10	12/28/15	12/28/11	2.051%	2.011%
Federal Home Loan Bank (FHLB)	2,000,000	06/30/10	06/30/14	12/30/11	1.125%	2.277%
Federal Home Loan Bank (FHLB)	2,000,000	06/30/11	06/30/16	12/30/11	1.300%	2.297%
	16,000,000					
<i>Maturities:</i>						
Federal Farm Credit Bank (FFCB)	2,000,000	09/30/09	10/03/11	-	-	1.125%
Montecito Bank & Trust CD (MBTCD)	2,000,000	11/18/09	11/18/11	-	-	1.750%
Airport Promissory Note - Partial Redemption	85,169	07/14/09	06/30/29	-	-	7.000%
	4,085,169					

The weighted average yield to maturity measures the average yield for securities in the portfolio that have varying interest rates. This helps provide a measure of the future rate of return on the investment portfolio. The weighted average yield to maturity on the quarter's purchases totaled 1.538 percent, which is 31.6 basis points lower than the 1.854 percent on the quarter's called/matured investments. Over the past two years, the weighted average yield spread between the purchases and called/matured investments averaged 133.8 basis points lower each quarter, compared to only 31.6 basis points lower this quarter. Like last quarter, this narrowing of the spread indicates that the older, higher yielding securities previously held in the portfolio, i.e. purchased before the recession, have either been called or matured and are no longer in the portfolio. Also, since market yields have remained relatively stable at exceptionally low levels, we are only able to replace the current called investments with investments of similar or slightly lower investment yields.

The average rate at which the City earned interest at the Local Agency Investment Fund (LAIF), the State's managed investment pool, was 0.38 percent for the quarter ended December 31, 2011. Staff expects to reinvest a portion of the City's LAIF balances in short-term or callable securities during the next quarter.

## Summary of Cash and Investments

The book rate of return, or portfolio yield, measures the percent return of actual interest earnings generated from the portfolio. During the quarter, the City's book rate of return decreased by 8.2 basis points from 1.750

Mo. Ended	Yield	Days to Maturity
9/30/2011	1.750%	1,046
10/31/2011	1.730%	1,048
11/30/2011	1.762%	1,074
12/31/2011	1.668%	990

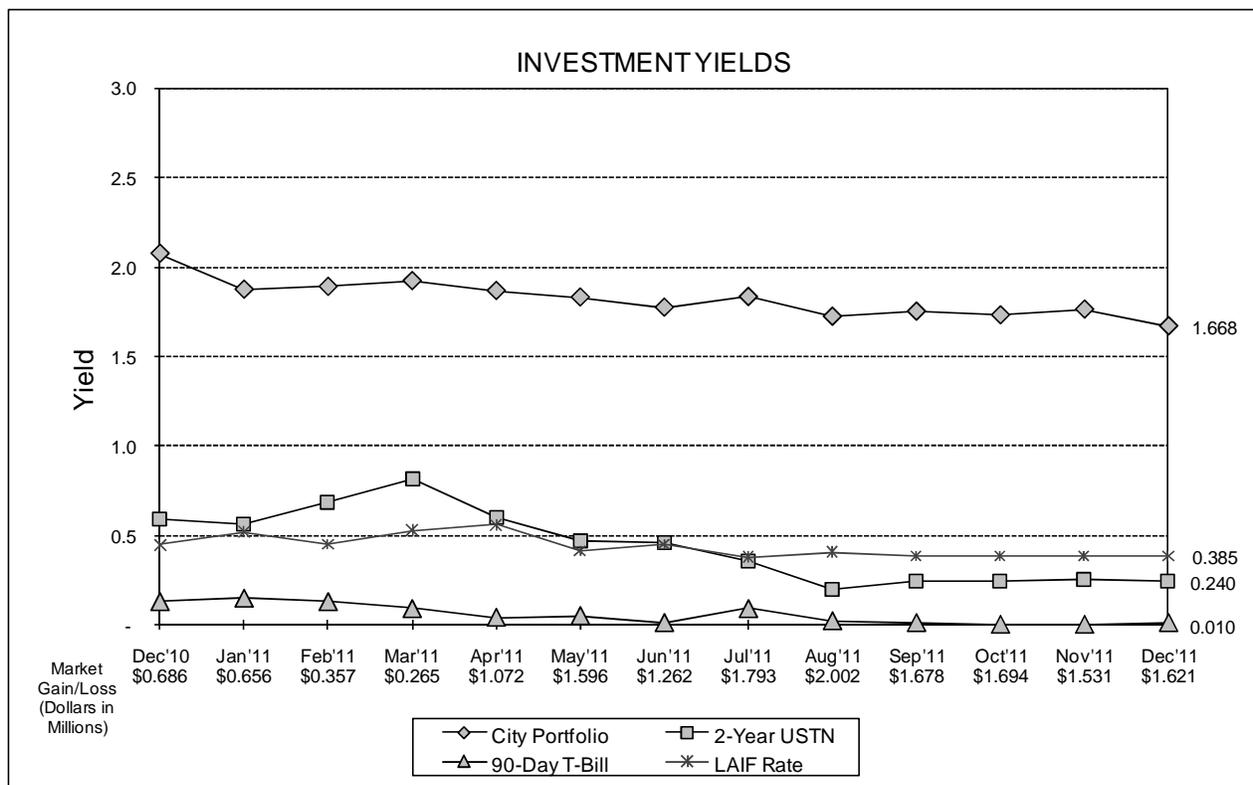
percent at September 30, 2011 to 1.668 percent at December 31, 2011. The book rate of return continues to decline through the attrition of overall higher-yielding securities and reinvestment at lower market rates as discussed previously. The portfolio's average days to maturity decreased by 56 days from 1,046 to 990 days, which includes the long-term Airport promissory note authorized by Council in July 2009. The portfolio's average days to maturity excluding the Airport note is 788 days, reflecting reinvestment of maturities and calls during the quarter in the one to five year range in accordance with the City's Annual Statement of Investment Policy.

### Credit Quality on Corporate Notes

Over the quarter ended December 31, 2011, there were no credit quality changes to the five corporate issuers of the medium-term notes held in the portfolio (i.e., Berkshire Hathaway Financial, General Electric Capital Corp, Harvard College, Proctor & Gamble, and Toyota Motor Credit). The ratings of all corporate notes remain within the City's Investment Policy guidelines of "A" or better.

### Portfolio Market Gains/Losses

As shown in the Investment Yields chart below, the City's portfolio continues to significantly outperform the three benchmark measures (the 90-day T-Bill, 2-year T-Note and LAIF). The portfolio also reflects unrealized market gains during the quarter due to lower market yields compared to the yields on securities held in the portfolio. At December 31, 2011, the overall portfolio had an unrealized market gain of \$1.621 million.



On a quarterly basis, staff reports the five securities with the largest percentage of unrealized losses when comparing book value to market value at the end of the quarter. Note, however, since securities in the portfolio are held to maturity, no market losses will be realized. There were no securities in the portfolio trading below the purchase price at the end of the quarter.

On a quarterly basis, staff also reports all securities with monthly market declines of greater than 1 percent compared to the prior month. There were no securities in the portfolio with a market decline of greater than 1 percent compared to the prior month.

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of December 31, 2011 is in compliance with the City's Statement of Investment Policy; and (2) there are sufficient funds available to meet the City's expenditure requirements for the next six months.

### **Fiscal Agent Investments**

In addition to reporting requirements for public agency portfolios, a description of any of the agency's investments under the management of contracted parties is also required on a quarterly basis. Attachment 2 includes bond funds and the police and fire service retirement fund as of December 31, 2011.

**ATTACHMENTS:**     1.   December 31, 2011, Investment Report  
                          2.   December 31, 2011, Fiscal Agent Report

**PREPARED BY:**     Jill Taura, Treasury Manager

**SUBMITTED BY:**   Robert Samario, Finance Director

**APPROVED BY:**     City Administrator's Office

**CITY OF SANTA BARBARA**  
**Activity and Interest Report**  
December 31, 2011

**INVESTMENT ACTIVITY**

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**PURCHASES OR DEPOSITS**

12/8 LAIF Deposit - City	\$ 2,000,000
12/13 LAIF Deposit - City	2,000,000
12/28 Federal National Mortgage Association (FNMA)	2,000,000
12/28 Federal National Mortgage Association (FNMA)	2,000,000
12/30 LAIF Deposit - City	14,000,000
<b>Total</b>	<b>\$ 22,000,000</b>

**SALES, MATURITIES, CALLS OR WITHDRAWALS**

12/2 LAIF Withdrawal - City	\$ (1,000,000)
12/5 LAIF Withdrawal - City	(3,000,000)
12/8 Federal Farm Credit Bank (FFCB) - Call	(2,000,000)
12/15 LAIF Withdrawal - City	(6,000,000)
12/15 Federal Farm Credit Bank (FFCB) - Call	(2,000,000)
12/27 Federal Home Loan Mortgage Corp (FHLMC) - Call	(2,000,000)
12/28 Federal National Mortgage Association (FNMA) - Call	(2,000,000)
12/30 Federal Home Loan Bank (FHLB) - Call	(2,000,000)
12/30 Federal Home Loan Bank (FHLB) - Call	(2,000,000)
12/31 Santa Barbara Airport Promissory Note - Principal Paydown	(85,169)
<b>Total</b>	<b>\$ (22,085,169)</b>

**ACTIVITY TOTAL**

**\$ (85,169)**

**INTEREST REVENUE**

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**POOLED INVESTMENTS**

Interest Earned on Investments	\$ 248,982
Amortization	(21,194)
Interest on SBB&T Accounts	853
<b>Total</b>	<b>\$ 228,641</b>

**TOTAL INTEREST EARNED**

**\$ 228,641**

**CITY OF SANTA BARBARA**  
**Summary of Cash and Investments**  
**December 31, 2011**

**ENDING BALANCE AS OF NOVEMBER 30, 2011**

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 34,000,000	0.385%	20.83%	1
Certificates of Deposit	2,000,000	0.800%	1.23%	718
Federal Agency Issues - Coupon	108,992,923	1.921%	66.79%	1,101
Corporate/Medium Term Notes	<u>12,234,575</u>	<u>1.780%</u>	<u>7.50%</u>	<u>1,270</u>
	157,227,499	1.564%	96.35%	871
SB Airport Promissory Note	<u>5,962,504</u>	<u>7.000%</u>	<u>3.65%</u>	<u>6,421</u>
Totals and Averages	<u>\$ 163,190,003</u>	<u>1.762%</u>	<u>100.00%</u>	<u>1,074</u>
SBB&T Money Market Account	<u>7,562,726</u>			
<b>Total Cash and Investments</b>	<b><u>\$ 170,752,729</u></b>			

**NET CASH AND INVESTMENT ACTIVITY FOR DECEMBER 2011**      **\$ 289,822**

**ENDING BALANCE AS OF DECEMBER 31, 2011**

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 42,000,000	0.385%	25.75%	1 (1)
Certificates of Deposit	2,000,000	0.800%	1.23%	687
Federal Agency Issues - Coupon	100,979,651	1.894%	61.92%	1,063
Corporate/Medium Term Notes	<u>12,226,654</u>	<u>1.780%</u>	<u>7.50%</u>	<u>1,239</u>
	157,206,305	1.468%	96.40%	788
SB Airport Promissory Note	<u>5,877,335</u>	<u>7.000%</u>	<u>3.60%</u>	<u>6,390</u>
Totals and Averages	<u>\$ 163,083,639</u>	<u>1.668%</u>	<u>100.00%</u>	<u>990</u>
SBB&T Money Market Account	<u>7,958,912</u>			
<b>Total Cash and Investments</b>	<b><u>\$ 171,042,551</u></b>			

Note:

(1) The average life of the LAIF portfolio as of December 31, 2011 is 256 days.

**CITY OF SANTA BARBARA**  
**Investment Portfolio**  
**December 31, 2011**

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING		STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
			MOODY'S	S & P							
<b>LOCAL AGENCY INVESTMENT FUNDS</b>											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	0.385	0.385	42,000,000.00	42,000,000.00	42,000,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	0.385	0.385	0.00	0.00	0.00	0.00	
<b>Subtotal, LAIF</b>							42,000,000.00	42,000,000.00	42,000,000.00	0.00	
<b>CERTIFICATES OF DEPOSIT</b>											
MONTECITO BANK & TRUST	11/18/11	11/18/13	-	-	0.800	0.800	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
<b>Subtotal, Certificates of deposit</b>							2,000,000.00	2,000,000.00	2,000,000.00	0.00	
<b>FEDERAL AGENCY ISSUES - COUPON</b>											
FEDERAL FARM CREDIT BANK	03/06/09	04/24/12	Aaa	AA+	2.250	2.120	2,000,000.00	2,000,787.39	2,013,100.00	12,312.61	
FEDERAL FARM CREDIT BANK	02/02/11	02/02/15	Aaa	AA+	2.000	2.000	1,500,000.00	1,500,000.00	1,501,470.00	1,470.00	Callable 02/02/12, then cont.
FEDERAL FARM CREDIT BANK	02/10/11	02/10/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,039,100.00	39,100.00	
FEDERAL FARM CREDIT BANK	03/09/11	03/09/16	Aaa	AA+	2.600	2.621	2,000,000.00	1,999,622.22	2,009,100.00	9,477.78	Callable 03/09/12, then cont.
FEDERAL FARM CREDIT BANK	03/04/09	01/17/12	Aaa	AA+	2.000	2.002	2,000,000.00	2,000,000.00	2,001,480.00	1,480.00	
FEDERAL FARM CREDIT BANK	03/05/09	03/04/13	Aaa	AA+	2.600	2.600	2,000,000.00	2,000,000.00	2,054,300.00	54,300.00	
FEDERAL FARM CREDIT BANK	05/08/09	04/08/13	Aaa	AA+	2.200	2.200	2,000,000.00	2,000,000.00	2,048,180.00	48,180.00	
FEDERAL FARM CREDIT BANK	06/19/09	06/18/12	Aaa	AA+	2.125	2.125	2,000,000.00	2,000,000.00	2,018,080.00	18,080.00	
FEDERAL FARM CREDIT BANK	04/30/10	04/09/15	Aaa	AA+	2.900	2.916	2,000,000.00	1,999,786.90	2,009,700.00	9,913.10	Callable 04/09/12, once
FEDERAL FARM CREDIT BANK	11/23/10	11/23/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,012,880.00	12,880.00	Callable 05/23/12, then cont.
FEDERAL FARM CREDIT BANK	02/16/11	02/16/16	Aaa	AA+	2.570	2.570	2,000,000.00	2,000,000.00	2,132,100.00	132,100.00	
FEDERAL HOME LOAN BANK	03/04/09	06/08/12	Aaa	AA+	4.375	2.110	1,700,000.00	1,716,139.04	1,731,178.00	15,038.96	
FEDERAL HOME LOAN BANK	04/15/10	10/15/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,057,240.00	57,240.00	
FEDERAL HOME LOAN BANK	08/05/10	09/12/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,042,560.00	42,560.00	
FEDERAL HOME LOAN BANK	09/17/09	12/13/13	Aaa	AA+	3.125	2.440	2,000,000.00	2,025,212.31	2,096,800.00	71,587.69	
FEDERAL HOME LOAN BANK	01/15/10	10/30/12	Aaa	AA+	1.700	1.700	2,000,000.00	2,000,000.00	2,024,300.00	24,300.00	
FEDERAL HOME LOAN BANK	04/05/10	11/29/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,060,300.00	60,300.00	
FEDERAL HOME LOAN BANK	06/29/10	10/29/12	Aaa	AA+	1.125	1.125	2,000,000.00	2,000,000.00	2,014,780.00	14,780.00	
FEDERAL HOME LOAN BANK	05/28/10	05/28/15	Aaa	AA+	2.000	2.653	2,000,000.00	2,000,000.00	2,027,400.00	27,400.00	SU 3.35%, Callable 11/28/12, once
FEDERAL HOME LOAN BANK	09/26/11	08/28/13	Aaa	AA+	1.000	0.381	1,000,000.00	1,010,223.19	1,010,420.00	196.81	
FEDERAL HOME LOAN BANK	09/17/09	09/13/13	Aaa	AA+	4.375	2.272	2,000,000.00	2,067,984.85	2,135,100.00	67,115.15	
FEDERAL HOME LOAN BANK	02/22/10	12/13/13	Aaa	AA+	3.125	2.130	2,000,000.00	2,037,061.09	2,096,800.00	59,738.91	
FEDERAL HOME LOAN BANK	03/26/10	06/08/12	Aaa	AA+	1.375	1.325	2,000,000.00	2,000,428.18	2,010,860.00	10,431.82	
FEDERAL HOME LOAN BANK	02/09/11	01/29/15	Aaa	AA+	1.750	1.750	2,000,000.00	2,000,000.00	2,066,920.00	66,920.00	
FEDERAL HOME LOAN BANK	04/15/11	05/27/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,084,540.00	84,540.00	
FEDERAL HOME LOAN BANK	09/26/11	10/30/13	Aaa	AA+	2.000	0.400	1,500,000.00	1,543,709.01	1,543,740.00	30.99	
FEDERAL HOME LOAN MTG CORP	10/19/11	10/19/16	Aaa	AA+	1.500	1.500	2,000,000.00	2,000,000.00	2,007,960.00	7,960.00	Callable 07/19/12, then qtrly
FEDERAL HOME LOAN MTG CORP	09/03/09	09/21/12	Aaa	AA+	2.125	1.699	2,000,000.00	2,005,967.21	2,027,820.00	21,852.79	
FEDERAL HOME LOAN MTG CORP	01/06/11	02/25/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,032,340.00	32,340.00	
FEDERAL HOME LOAN MTG CORP	11/09/11	11/09/16	Aaa	AA+	1.800	1.800	2,000,000.00	2,000,000.00	2,007,720.00	7,720.00	Callable 05/09/12, then qtrly

**CITY OF SANTA BARBARA**

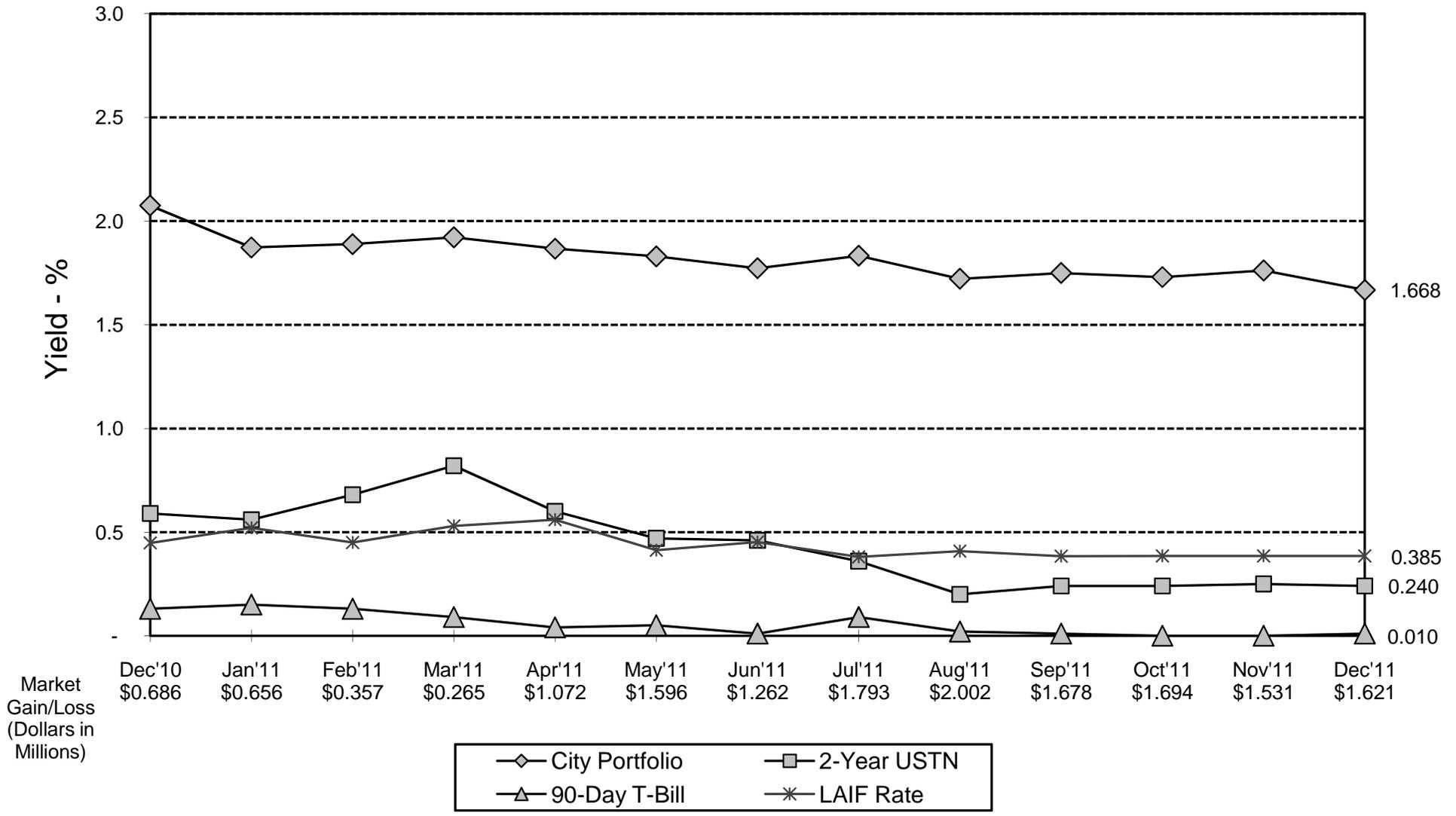
**Investment Portfolio**

**December 31, 2011**

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
FEDERAL HOME LOAN MTG CORP	09/28/11	09/28/16	Aaa	AA+	1.400	1.400	2,000,000.00	2,000,000.00	2,006,960.00	6,960.00	Callable 09/28/12, once
FEDERAL HOME LOAN MTG CORP	06/09/09	08/17/12	Aaa	AA+	1.000	2.420	2,000,000.00	1,982,935.82	2,008,620.00	25,684.18	
FEDERAL HOME LOAN MTG CORP	03/26/10	04/25/12	Aaa	AA+	1.125	1.197	1,000,000.00	999,774.74	1,003,220.00	3,445.26	
FEDERAL HOME LOAN MTG CORP	02/11/11	04/02/14	Aaa	AA+	4.500	1.615	2,000,000.00	2,126,203.36	2,173,060.00	46,856.64	
FEDERAL HOME LOAN MTG CORP	10/03/11	10/03/16	Aaa	AA+	1.000	1.612	2,000,000.00	2,000,000.00	2,001,520.00	1,520.00	SU 2.25% Callable 04/03/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	09/28/11	09/28/16	Aaa	AA+	1.000	1.401	1,000,000.00	999,629.17	1,004,400.00	4,770.83	SU 1%-3%, Call 09/28/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	11/09/11	11/09/16	Aaa	AA+	1.500	1.807	2,000,000.00	1,999,572.22	2,012,400.00	12,827.78	SU 1.5%-3.5%, Call 11/09/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	12/28/11	12/28/16	Aaa	AA+	1.125	1.641	2,000,000.00	2,000,000.00	2,000,140.00	140.00	SU 2% Callable 12/28/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	02/17/11	02/17/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,005,900.00	5,900.00	Callable 02/17/12, once
FEDERAL NATL MORTGAGE ASSN	06/07/11	03/07/16	Aaa	AA+	2.075	2.075	2,000,000.00	2,000,000.00	2,014,960.00	14,960.00	Callable 06/07/12, once
FEDERAL NATL MORTGAGE ASSN	07/05/11	07/05/16	Aaa	AA+	2.200	2.200	2,000,000.00	2,000,000.00	2,000,220.00	220.00	Callable 01/05/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	07/19/11	07/19/16	Aaa	AA+	1.900	2.106	1,000,000.00	1,000,000.00	1,000,760.00	760.00	SU 2%-3.5%, Call 01/19/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	09/28/11	09/28/16	Aaa	AA+	1.300	1.475	2,000,000.00	2,000,000.00	2,003,640.00	3,640.00	SU 1.3%-2.25%, Call 03/28/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	10/28/11	10/28/16	Aaa	AA+	1.500	1.521	2,000,000.00	1,998,175.00	2,002,900.00	4,725.00	Callable 10/28/13, once
FEDERAL NATL MORTGAGE ASSN	08/10/10	08/10/15	Aaa	AA+	2.000	2.055	2,000,000.00	1,998,418.33	2,019,420.00	21,001.67	Callable 08/10/12, once
FEDERAL NATL MORTGAGE ASSN	11/17/10	11/17/14	Aaa	AA+	1.300	1.300	2,000,000.00	2,000,000.00	2,039,580.00	39,580.00	
FEDERAL NATL MORTGAGE ASSN	04/11/11	04/11/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,011,900.00	11,900.00	Callable 04/11/12, once
FEDERAL NATL MORTGAGE ASSN	06/27/11	06/27/16	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,029,620.00	29,620.00	Callable 06/27/13, once
FEDERAL NATL MORTGAGE ASSN	12/28/11	12/28/16	Aaa	AA+	1.625	1.625	2,000,000.00	2,000,000.00	2,006,800.00	6,800.00	Callable 12/28/12, once
FEDERAL NATL MORTGAGE ASSN	09/21/10	09/21/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,080,620.00	80,620.00	
FEDERAL NATL MORTGAGE ASSN	12/10/10	10/26/15	Aaa	AA+	1.625	2.067	2,000,000.00	1,968,021.07	2,051,520.00	83,498.93	
FEDERAL NATL MORTGAGE ASSN	04/18/11	04/18/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,052,060.00	52,060.00	Callable 04/18/13, once
FEDERAL NATL MORTGAGE ASSN	06/29/11	12/29/14	Aaa	AA+	1.300	1.300	2,000,000.00	2,000,000.00	2,004,240.00	4,240.00	Callable 03/29/12, once
<b>Subtotal, Federal Agencies</b>							<u>100,700,000.00</u>	<u>100,979,651.10</u>	<u>102,452,728.00</u>	<u>1,473,076.90</u>	
<b>CORPORATE/MEDIUM TERM NOTES</b>											
BERKSHIRE HATHAWAY FIN	12/15/10	12/15/15	Aa2	AA+	2.450	2.530	2,000,000.00	1,994,066.67	2,073,500.00	79,433.33	
GENERAL ELECTRIC CAPITAL CORP	11/10/10	11/09/15	Aa2	AA+	2.250	2.250	2,000,000.00	2,000,000.00	2,008,940.00	8,940.00	
GENERAL ELECTRIC CAPITAL CORP	01/07/11	01/07/14	Aa2	AA+	2.100	2.100	2,000,000.00	2,000,000.00	2,029,940.00	29,940.00	
PRES & FELLOWS OF HARVARD COLL	07/12/11	01/15/14	Aaa	AAA	5.000	1.000	2,000,000.00	2,160,683.41	2,177,340.00	16,656.59	
PROCTOR & GAMBLE	09/20/11	11/15/15	Aa3	AA-	1.800	1.085	2,000,000.00	2,053,988.36	2,065,260.00	11,271.64	
TOYOTA MOTOR CREDIT	09/26/11	09/15/16	Aa3	AA-	2.000	1.800	2,000,000.00	2,017,915.30	2,019,900.00	1,984.70	
<b>Subtotal, Corporate Securities</b>							<u>12,000,000.00</u>	<u>12,226,653.74</u>	<u>12,374,880.00</u>	<u>148,226.26</u>	
<b>SB AIRPORT PROMISSORY NOTE (LT)</b>											
SANTA BARBARA AIRPORT	07/14/09	06/30/29	-	-	7.000	7.000	5,877,334.65	5,877,334.65	5,877,334.65	0.00	
<b>Subtotal, SBA Note</b>							<u>5,877,334.65</u>	<u>5,877,334.65</u>	<u>5,877,334.65</u>	<u>0.00</u>	
<b>TOTALS</b>							<u>162,577,334.65</u>	<u>163,083,639.49</u>	<u>164,704,942.65</u>	<u>1,621,303.16</u>	

Market values have been obtained from the City's safekeeping agent, Santa Barbara Bank and Trust (SBB&T). SBB&T uses Interactive Data Pricing Service, Bloomberg and DTC.

# INVESTMENT YIELDS



**CITY OF SANTA BARBARA  
Fiscal Agent Investments  
December 31, 2011**

	CASH & CASH EQUIVALENTS Book & Market	Guaranteed Investment Contracts (GIC) Book & Market	STOCKS		BONDS		US GOVT & AGENCIES		TOTALS	
			Book	Market	Book	Market	Book	Market	Book	Market
<b>BOND FUNDS</b>										
<i>RESERVE FUNDS</i>										
2004 RDA - Housing Bonds	67,707.50	-	-	-	-	-	-	-	67,707.50	67,707.50
2002 Municipal Improvement - Refunding COPs	13,954.67	547,530.00	-	-	-	-	-	-	561,484.67	561,484.67
2002 Water - Refunding COPs	24,359.39	1,088,268.76	-	-	-	-	-	-	1,112,628.15	1,112,628.15
1994 Water - Revenue Bonds	19,914.61	757,680.00	-	-	-	-	-	-	777,594.61	777,594.61
2002 Waterfront - Reference COPs	873.43	1,393,262.50	-	-	-	-	-	-	1,394,135.93	1,394,135.93
1992 Seismic - Safety Bonds	87,465.19	-	-	-	-	-	-	-	87,465.19	87,465.19
Subtotal, Reserve Funds	214,274.79	3,786,741.26	-	-	-	-	-	-	4,001,016.05	4,001,016.05
<i>PROJECT FUNDS</i>										
2001 RDA Bonds	2,365,799.91	-	-	-	-	-	-	-	2,365,799.91	2,365,799.91
2003 RDA Bonds	9,335,409.35	-	-	-	-	-	-	-	9,335,409.35	9,335,409.35
2004 Sewer Revenue Bonds	2,108,495.13	1,357,140.00	-	-	-	-	-	-	3,465,635.13	3,465,635.13
2009 Airport Bonds	3,598,070.57	-	-	-	-	-	3,100,000.00	3,139,234.38	6,698,070.57	6,737,304.95
Subtotal, Project Funds	17,407,774.96	1,357,140.00	-	-	-	-	3,100,000.00	3,139,234.38	21,864,914.96	21,904,149.34
Subtotal Bond Funds	17,622,049.75	5,143,881.26	-	-	-	-	3,100,000.00	3,139,234.38	25,865,931.01	25,905,165.39
<b>POLICE/FIRE - SVC RETIREMENT FUND</b>										
Police/Fire Funds	44,031.86	-	234,708.75	279,909.33	309,393.55	305,805.15	-	-	588,134.16	629,746.34
	44,031.86	-	234,708.75	279,909.33	309,393.55	305,805.15	-	-	588,134.16	629,746.34
<b>TOTAL FISCAL AGENT INVESTMENTS</b>	<u>17,666,081.61</u>	<u>5,143,881.26</u>	<u>234,708.75</u>	<u>279,909.33</u>	<u>309,393.55</u>	<u>305,805.15</u>	<u>3,100,000.00</u>	<u>3,139,234.38</u>	<u>26,454,065.17</u>	<u>26,534,911.73</u>

Notes:

- (1) Cash & cash equivalents include money market funds.
- (2) Market values have been obtained from the following trustees: US Bank, Bank of New York and Santa Barbara Bank & Trust