



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** April 24, 2012

**TO:** Mayor and Councilmembers

**FROM:** Treasury Division, Finance Department

**SUBJECT:** March 31, 2012, Investment Report And March 31, 2012, Fiscal Agent Report

**RECOMMENDATION:** That Council:

- A. Accept the March 31, 2012, Investment Report; and
- B. Accept the March 31, 2012, 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 the period of January through March 2012.

During the first quarter, financial markets continued to show robust improvement due to several factors. The results for the March quarter reflected strong U.S. corporate earnings reports, improvement in U.S. economic data, and an easing of investor concerns about the European sovereign debt crisis. With investor approval, Greece defaulted on its debt payments and the European Central Bank pledged to mitigate future liquidity risk in its financial markets to help stem the contagion from spreading to other countries. Although, it is held that Spain, Ireland and Portugal are still at risk.

The major stock indexes posted strong first quarter growth, reflecting higher returns in all sectors except utilities. The Dow Jones Industrial Average (DJIA) index, which measures stocks from 30 industrial "blue-chip" companies, rose 8.84 percent from the previous quarter; the S&P 500, composed of 500 "large-cap" companies across various sectors, was up 12.59 percent; and NASDAQ, which largely measures technology stocks, was higher by 18.67 percent.

At its March meeting, the Federal Reserve Bank's Open Market Committee (FOMC) acknowledged the moderate economic expansion during the quarter, improvement in labor market conditions, lower unemployment levels, and stable longer-term inflation expectations. However, with conditions "broadly similar" to that at the time of the January FOMC meeting, the Committee maintained the current federal funds rate at a

target range of 0-1/4 percent. The Committee also agreed to maintain its “highly accommodative” monetary policy by reinvesting maturing principal payments on existing holdings and expanding its longer-term holdings as part of “Operation Twist”. Designed to hold longer-term interest rates low, “Operation Twist” seeks to lower the cost of borrowing, stimulate consumer spending and encourage investors to take on riskier assets.

Notwithstanding strong growth in financial markets, improvement in the U.S. economy, and higher consumer confidence during the quarter, Treasury yields were slightly higher at March 31, 2012. Historically, Treasury yields have a tendency to move inversely to financial markets. During periods of strong economic growth, investors tend to buy riskier, higher yielding investments, like stocks, and reduce holdings of their safer, lower yielding investments, like Treasuries. The slightly higher Treasury yields at the end of the quarter indicated continuing domestic and foreign investor caution through this protracted economic recovery.

As shown in the table to the right, the change in Treasury yields during the first quarter ranged from an increase of 6 basis points on the 3-month Treasury note to an increase of 21 basis points on the 5-year Treasury note. The yield on the 5-year Treasury note ended the quarter at 1.04 percent, once again rising above 1 percent after more than eight months at historically low levels of less than 1 percent. In fact, longer-term Treasury yields in the 10- and 30-year periods posted the largest first quarter increases of 35 basis points and 46 basis points, respectively. The State of California’s Local Agency Investment Fund (LAIF) rate remained unchanged at 0.38 percent.

U.S. Treasury Market					
	12/31/2011	1/31/2012	2/29/2012	3/31/2012	Quarterly Change
3 Month	0.01%	0.06%	0.08%	0.07%	0.06%
6 Month	0.06%	0.08%	0.13%	0.15%	0.09%
1 Year	0.10%	0.13%	0.18%	0.19%	0.09%
2 Year	0.24%	0.22%	0.30%	0.33%	0.09%
3 Year	0.35%	0.30%	0.43%	0.51%	0.16%
4 Year	0.59%	0.50%	0.63%	0.77%	0.18%
5 Year	0.83%	0.71%	0.87%	1.04%	0.21%
10 Year	1.88%	1.83%	1.98%	2.23%	0.35%
30 Year	2.89%	2.94%	3.08%	3.35%	0.46%
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 \$19 million in “AAA” rated Federal Agency callable securities during the quarter, replacing the securities that matured or were called at the election of the issuer before the final maturity date. Over the quarter, \$10.5 million of Federal Agency securities were called, \$2 million in securities matured, and \$2 million in corporate notes were called.

Issuer	Face Amount	Purchase Date	Final Maturity	Call Date	Yield To Call	Yield To Maturity
<i>Purchases:</i>						
Federal National Mortgage Association (FNMA)	2,000,000	01/25/12	01/25/17	01/25/13	1.050%	1.256%
Federal National Mortgage Association (FNMA)	2,000,000	01/30/12	01/30/17	01/30/13	1.300%	1.300%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	02/21/12	02/21/17	02/21/14	1.300%	1.300%
Federal Home Loan Bank (FHLB)	5,000,000	02/28/12	02/28/17	03/28/12	1.250%	1.250%
Federal Farm Credit Bank (FFCB)	2,000,000	03/01/12	03/01/17	03/01/13	1.260%	1.260%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	03/28/12	03/28/17	03/28/13	1.210%	1.210%
Federal National Mortgage Association (FNMA)	2,000,000	03/28/12	03/28/17	03/28/13	1.125%	1.332%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	03/28/12	03/28/17	03/28/14	1.350%	1.350%
	19,000,000					
<i>Calls:</i>						
Federal National Mortgage Association (FNMA)	2,000,000	07/05/11	07/05/16	01/05/12	2.200%	2.200%
Federal National Mortgage Association (FNMA)	1,000,000	07/19/11	07/19/16	01/19/12	1.900%	2.106%
Federal Farm Credit Bank (FFCB)	1,500,000	02/02/11	02/02/15	02/02/12	2.000%	2.000%
Federal National Mortgage Association (FNMA)	2,000,000	02/17/11	02/17/16	02/17/12	2.500%	2.500%
Federal Farm Credit Bank (FFCB)	2,000,000	03/09/11	03/09/16	03/09/12	2.702%	2.621%
Pres & Fellows of Harvard College (HARVRD)	2,000,000	07/12/11	01/15/14	03/12/12	-9.062%	1.000%
Federal National Mortgage Association (FNMA)	2,000,000	06/29/11	12/29/14	03/29/12	1.300%	1.300%
	12,500,000					
<i>Maturities:</i>						
Federal Farm Credit Bank (FFCB)	2,000,000	03/04/09	01/17/12	-	-	2.002%
	2,000,000					

### Summary of Cash and Investments

As shown in the table to the right, the book rate of return, or portfolio yield, measures the rate of return of actual earnings generated from the portfolio. During the quarter, the City's book rate of return decreased by 3.2 basis points from 1.668 percent at December 31, 2011 to 1.636 percent at March 31, 2012. The book rate of return continues to decline through the attrition of overall higher-yielding securities and reinvestment at lower market rates.

Mo. Ended	Yield	Days to Maturity
12/31/2011	1.668%	990
1/31/2012	1.585%	942
2/29/2012	1.624%	1,002
3/31/2012	1.636%	1,043

The portfolio's average days to maturity increased by 53 days from 990 to 1043 days, including the long-term Airport promissory note authorized by Council in July 2009 and a final maturity of June 2029. Excluding the Airport note, the portfolio's average days to maturity is 845 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. The Annual Statement of Investment Policy requires that the average days to maturity on the portfolio not exceed 912 days, excluding any investments with a final maturity longer than 5 years that were separately authorized by Council, like the Airport promissory note.

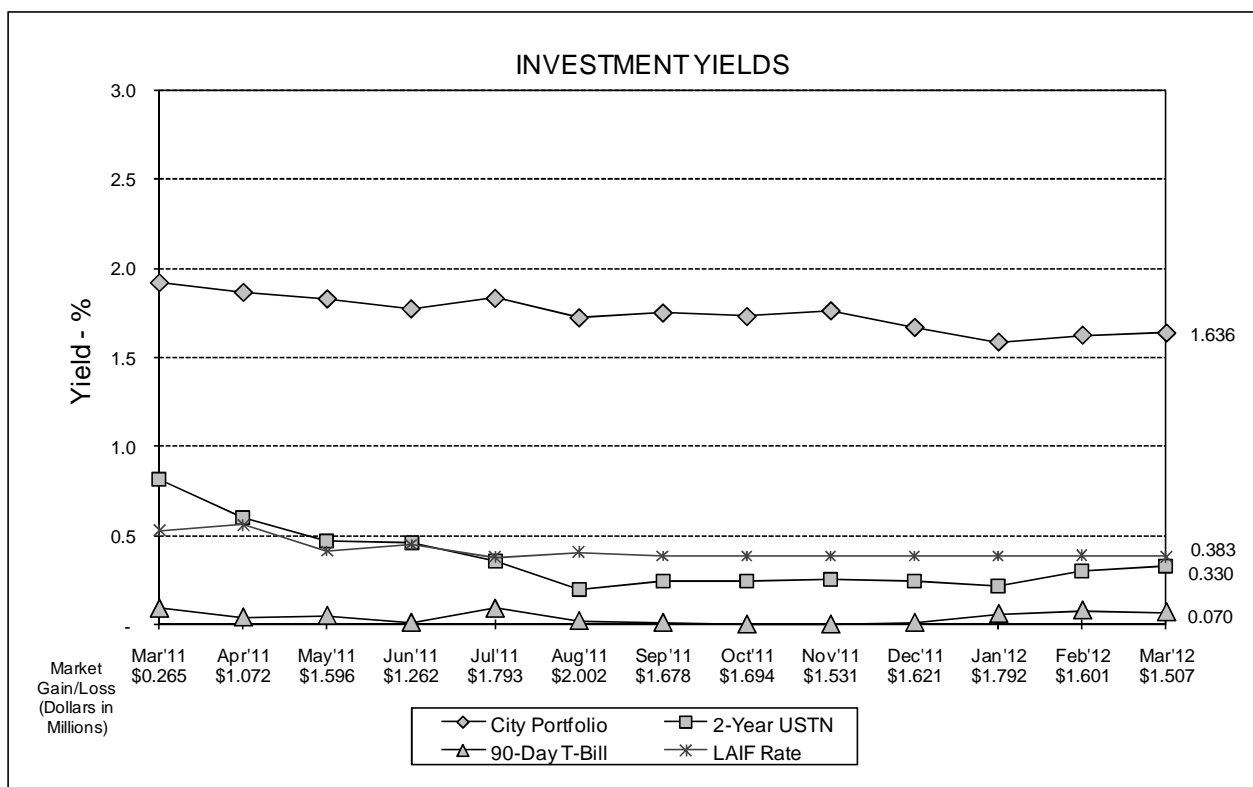
The City's LAIF holdings at the end of the quarter were \$37 million. Staff expects to reinvest a portion of the LAIF balances in short-term or callable securities during the next quarter.

### Credit Quality on Corporate Notes

Over the quarter ended March 31, 2012, there were no credit quality changes to the four corporate issuers of the medium-term notes held in the portfolio (i.e., Berkshire Hathaway Financial, General Electric Capital Corp, 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). Overall, the portfolio also reflects unrealized market gains during the quarter due to lower market yields compared to the yields on securities currently held in the portfolio. At March 31, 2012, the portfolio had an overall unrealized market gain of \$1.507 million.



On a quarterly basis, staff reports the five securities with the largest percentage of unrealized losses when comparing book value to market value. Market losses occur when current market yields rise above the yields on securities held in the

Issuer	Face Amount	Maturity	\$ Mkt Change	% Mkt Change
FEDERAL FARM CREDIT BANK	\$2,000,000	03/01/17	-\$7,020	-0.35%
FEDERAL HOME LOAN BANK	\$5,000,000	02/28/17	-\$17,350	-0.35%
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	03/28/17	-\$4,760	-0.24%
FEDERAL NATL MORTGAGE ASSN	\$1,000,000	09/28/16	-\$2,014	-0.20%
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	01/30/17	-\$2,040	-0.10%

portfolio. Since yields were higher at the end of the quarter, some recently purchased securities have unrealized losses. However, since securities in the portfolio are held to maturity, no market losses will be realized. Moreover, as discussed previously, although several securities had unrealized market losses at the end of the quarter, the portfolio had an overall market gain of \$1.507 million.

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 March 31, 2012, 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 March 31, 2012.

**ATTACHMENTS:** 1. March 31, 2012, Investment Report  
 2. March 31, 2012, 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**  
**March 31, 2012**

**INVESTMENT ACTIVITY**

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**PURCHASES OR DEPOSITS**

3/1 Federal Farm Credit Bank (FFCB)	\$ 2,000,000
3/9 LAIF Deposit - City	9,000,000
3/15 LAIF Deposit - City	1,000,000
3/28 Federal Home Loan Mortgage Corp (FHLMC)	2,000,000
3/28 Federal National Mortgage Association (FNMA)	2,000,000
3/28 Federal Home Loan Mortgage Corp (FHLMC)	2,000,000
3/29 LAIF Deposit - City	2,000,000
<b>Total</b>	<b>\$ 20,000,000</b>

**SALES, MATURITIES, CALLS OR WITHDRAWALS**

3/7 LAIF Withdrawal - City	\$ (1,000,000)
3/9 LAIF Withdrawal - RDAS	(9,000,000)
3/9 Federal Farm Credit Bank (FFCB) - Call	(2,000,000)
3/12 Pres & Fellows of Harvard College (HARVRD) - Call	(2,000,000)
3/22 LAIF Withdrawal - City	(2,000,000)
3/27 LAIF Withdrawal - City	(4,000,000)
3/29 Federal National Mortgage Association (FNMA) - Call	(2,000,000)
<b>Total</b>	<b>\$ (22,000,000)</b>

**ACTIVITY TOTAL**

**\$ (2,000,000)**

**INVESTMENT INCOME**

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**POOLED INVESTMENTS**

**INTEREST INCOME**

Interest Earned on Investments	\$ 230,181
Amortization	(17,393)
Interest on SBB&T Accounts	178
<b>Total</b>	<b>\$ 212,966</b>

**GAIN/LOSS ON INVESTMENTS**

Gain on Redemption of Corporate Bond	<b>\$ 8,143</b>
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**REDEVELOPMENT SUCCESSOR AGENCY INVESTMENTS**

Interest Earned on Investments (LAIF)	<b>\$ 3,683</b>
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**INVESTMENT INCOME TOTAL**

**\$ 224,792**

**CITY OF SANTA BARBARA**  
**Summary of Cash and Investments**  
**March 31, 2012**

**ENDING BALANCE AS OF FEBRUARY 29, 2012**

<u>Description</u>	<u>Book Value</u>	<u>Yield to Maturity (365 days)</u>	<u>Percent of Portfolio</u>	<u>Average Days to Maturity</u>
State of California LAIF	\$ 41,000,000	0.389%	24.92%	1
Certificates of Deposit	2,000,000	0.800%	1.22%	627
Federal Agency Issues - Coupon	103,451,568	1.805%	62.87%	1,083
Corporate/Medium Term Notes	<u>12,210,811</u>	<u>1.781%</u>	<u>7.42%</u>	<u>1,180</u>
	158,662,378	1.425%	96.43%	805
SB Airport Promissory Note	<u>5,877,335</u>	<u>7.000%</u>	<u>3.57%</u>	<u>6,330</u>
Totals and Averages	<u>\$ 164,539,713</u>	<u>1.624%</u>	<u>100.00%</u>	<u>1,002</u>
SBB&T Money Market Account	3,613,645			
<b>Total Cash and Investments</b>	<b><u>\$ 168,153,358</u></b>			

**NET CASH AND INVESTMENT ACTIVITY FOR MARCH 2012**      **\$ (1,532,643)**

**ENDING BALANCE AS OF MARCH 31, 2012**

<u>Description</u>	<u>Book Value</u>	<u>Yield to Maturity (365 days)</u>	<u>Percent of Portfolio</u>	<u>Average Days to Maturity</u>
State of California LAIF	\$ 37,000,000	0.383%	22.79%	1 (1)
Certificates of Deposit	2,000,000	0.800%	1.23%	596
Federal Agency Issues - Coupon	107,437,937	1.761%	66.17%	1,102
Corporate/Medium Term Notes	<u>10,061,908</u>	<u>1.948%</u>	<u>6.20%</u>	<u>1,254</u>
	156,499,845	1.435%	96.39%	845
SB Airport Promissory Note	<u>5,877,335</u>	<u>7.000%</u>	<u>3.62%</u>	<u>6,299</u>
Totals and Averages	<u>\$ 162,377,180</u>	<u>1.636%</u>	<u>100.00%</u>	<u>1,043</u>
SBB&T Money Market Account	4,243,536			
<b>Total Cash and Investments</b>	<b><u>\$ 166,620,715</u></b>			

Note:

(1) The average life of the LAIF portfolio as of March 31, 2012 is 243 days.

**CITY OF SANTA BARBARA**

**Investment Portfolio**

**March 31, 2012**

DESCRIPTION	PURCHASE	MATURITY	QUALITY RATING		STATED	YIELD AT	FACE	BOOK	MARKET	BOOK	COMMENTS
	DATE	DATE	MOODY'S	S & P							
<b>LOCAL AGENCY INVESTMENT FUNDS</b>											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	0.383	0.383	28,000,000.00	28,000,000.00	28,000,000.00	0.00	
LOCAL AGENCY INV FUND/RDAS	-	-	-	-	0.383	0.383	9,000,000.00	9,000,000.00	9,000,000.00	0.00	
<b>Subtotal, LAIF</b>							37,000,000.00	37,000,000.00	37,000,000.00	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	2,000,160.27	2,002,560.00	2,399.73	
FEDERAL FARM CREDIT BANK	02/10/11	02/10/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,031,380.00	31,380.00	
FEDERAL FARM CREDIT BANK	03/01/12	03/01/17	Aaa	AA+	1.260	1.260	2,000,000.00	2,000,000.00	1,992,980.00	(7,020.00)	Callable 03/01/13, then cont.
FEDERAL FARM CREDIT BANK	03/05/09	03/04/13	Aaa	AA+	2.600	2.600	2,000,000.00	2,000,000.00	2,044,100.00	44,100.00	
FEDERAL FARM CREDIT BANK	05/08/09	04/08/13	Aaa	AA+	2.200	2.200	2,000,000.00	2,000,000.00	2,040,140.00	40,140.00	
FEDERAL FARM CREDIT BANK	06/19/09	06/18/12	Aaa	AA+	2.125	2.125	2,000,000.00	2,000,000.00	2,008,360.00	8,360.00	
FEDERAL FARM CREDIT BANK	04/30/10	04/09/15	Aaa	AA+	2.900	2.916	2,000,000.00	1,999,982.60	2,000,720.00	737.40	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	2,004,660.00	4,660.00	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	2,124,580.00	124,580.00	
FEDERAL HOME LOAN BANK	03/04/09	06/08/12	Aaa	AA+	4.375	2.110	1,700,000.00	1,706,887.36	1,713,243.00	6,355.64	
FEDERAL HOME LOAN BANK	04/15/10	10/15/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,051,400.00	51,400.00	
FEDERAL HOME LOAN BANK	08/05/10	09/12/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,041,000.00	41,000.00	
FEDERAL HOME LOAN BANK	09/17/09	12/13/13	Aaa	AA+	3.125	2.440	2,000,000.00	2,021,979.96	2,094,060.00	72,080.04	
FEDERAL HOME LOAN BANK	01/15/10	10/30/12	Aaa	AA+	1.700	1.700	2,000,000.00	2,000,000.00	2,017,720.00	17,720.00	
FEDERAL HOME LOAN BANK	04/05/10	11/29/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,054,920.00	54,920.00	
FEDERAL HOME LOAN BANK	06/29/10	10/29/12	Aaa	AA+	1.125	1.125	2,000,000.00	2,000,000.00	2,011,040.00	11,040.00	
FEDERAL HOME LOAN BANK	05/28/10	05/28/15	Aaa	AA+	2.000	2.653	2,000,000.00	2,000,000.00	2,020,400.00	20,400.00	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	1,008,682.01	1,009,810.00	1,127.99	
FEDERAL HOME LOAN BANK	09/17/09	09/13/13	Aaa	AA+	4.375	2.272	2,000,000.00	2,057,987.08	2,117,420.00	59,432.92	
FEDERAL HOME LOAN BANK	02/22/10	12/13/13	Aaa	AA+	3.125	2.130	2,000,000.00	2,032,309.67	2,094,060.00	61,750.33	
FEDERAL HOME LOAN BANK	03/26/10	06/08/12	Aaa	AA+	1.375	1.325	2,000,000.00	2,000,182.73	2,004,580.00	4,397.27	
FEDERAL HOME LOAN BANK	02/09/11	01/29/15	Aaa	AA+	1.750	1.750	2,000,000.00	2,000,000.00	2,064,040.00	64,040.00	
FEDERAL HOME LOAN BANK	04/15/11	05/27/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,081,480.00	81,480.00	
FEDERAL HOME LOAN BANK	09/26/11	10/30/13	Aaa	AA+	2.000	0.400	1,500,000.00	1,537,739.64	1,539,465.00	1,725.36	
FEDERAL HOME LOAN BANK	02/28/12	02/28/17	Aaa	AA+	1.250	1.250	5,000,000.00	5,000,000.00	4,982,650.00	(17,350.00)	Callable 04/28/12, then monthly
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	2,005,980.00	5,980.00	Callable 07/19/12, then qtrly
FEDERAL HOME LOAN MTG CORP	03/28/12	03/28/17	Aaa	AA+	1.210	1.210	2,000,000.00	2,000,000.00	2,010,020.00	10,020.00	Callable 03/28/13, once
FEDERAL HOME LOAN MTG CORP	09/03/09	09/21/12	Aaa	AA+	2.125	1.699	2,000,000.00	2,003,901.64	2,018,700.00	14,798.36	
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	2,042,280.00	42,280.00	
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	2,003,120.00	3,120.00	Callable 05/09/12, then qtrly
FEDERAL HOME LOAN MTG CORP	03/28/12	03/28/17	Aaa	AA+	1.350	1.350	2,000,000.00	2,000,000.00	2,012,540.00	12,540.00	Callable 03/28/14, once



**CITY OF SANTA BARBARA**

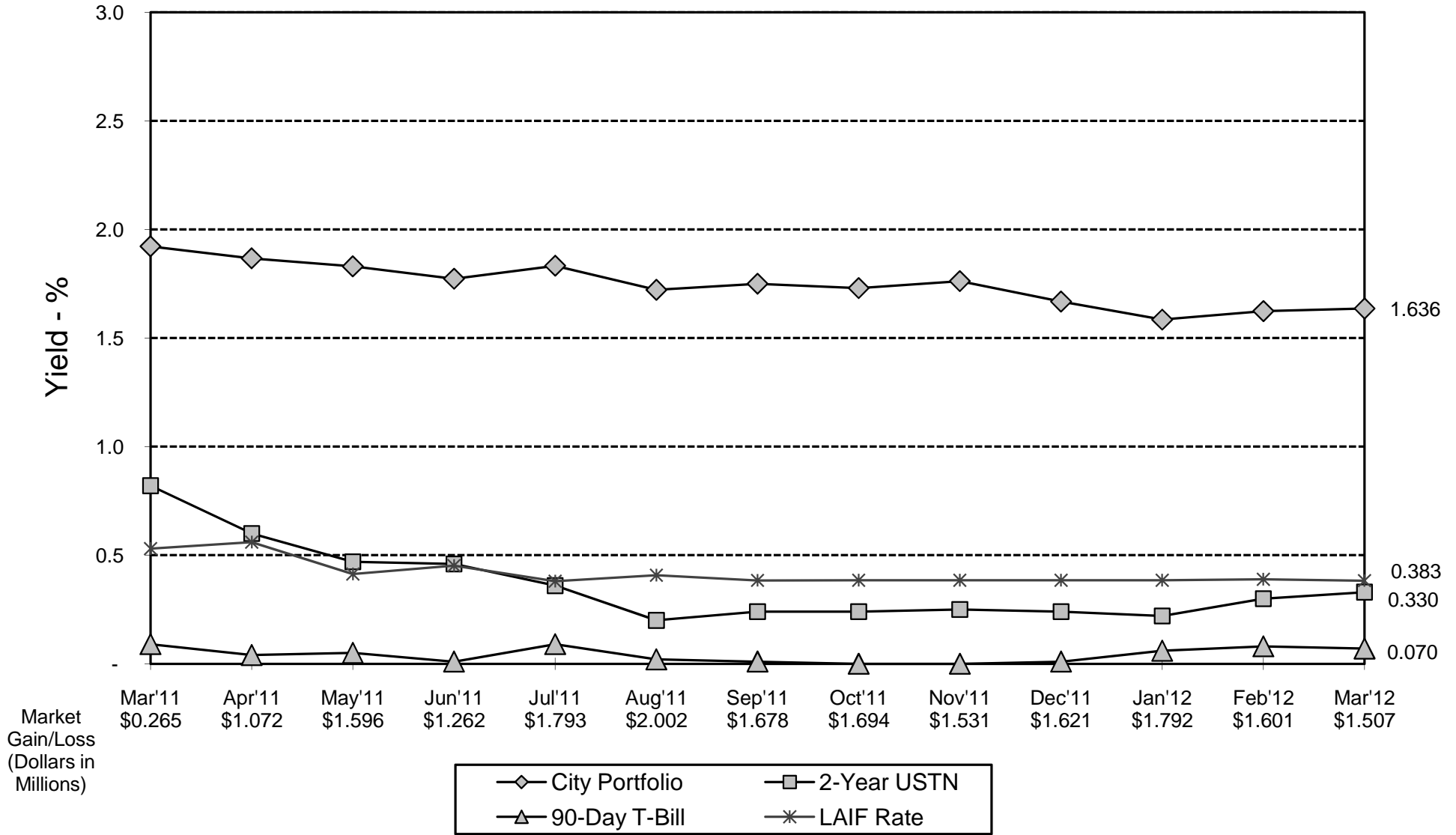
**Investment Portfolio**

**March 31, 2012**

DESCRIPTION	PURCHASE	MATURITY	QUALITY RATING		STATED	YIELD AT	FACE	BOOK	MARKET	BOOK	COMMENTS
	DATE	DATE	MOODY'S	S & P							
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	2,006,380.00	6,380.00	Callable 09/28/12, once
FEDERAL HOME LOAN MTG CORP	02/21/12	02/21/17	Aaa	AA+	1.300	1.300	2,000,000.00	2,000,000.00	1,999,500.00	(500.00)	Callable 02/21/14, once
FEDERAL HOME LOAN MTG CORP	06/09/09	08/17/12	Aaa	AA+	1.000	2.420	2,000,000.00	1,989,731.29	2,005,540.00	15,808.71	
FEDERAL HOME LOAN MTG CORP	03/26/10	04/25/12	Aaa	AA+	1.125	1.197	1,000,000.00	999,952.58	1,000,620.00	667.42	
FEDERAL HOME LOAN MTG CORP	02/11/11	04/02/14	Aaa	AA+	4.500	1.615	2,000,000.00	2,112,198.05	2,159,360.00	47,161.95	
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	2,001,960.00	1,960.00	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	999,754.17	997,740.00	(2,014.17)	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	1,999,697.22	2,011,760.00	12,062.78	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	2,003,140.00	3,140.00	SU 2% Callable 12/28/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	06/07/11	03/07/16	Aaa	AA+	2.075	2.075	2,000,000.00	2,000,000.00	2,006,640.00	6,640.00	Callable 06/07/12, once
FEDERAL NATL MORTGAGE ASSN	09/28/11	09/28/16	Aaa	AA+	1.300	1.475	2,000,000.00	2,000,000.00	2,004,560.00	4,560.00	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	1,998,425.00	2,015,400.00	16,975.00	Callable 10/28/13, once
FEDERAL NATL MORTGAGE ASSN	01/25/12	01/25/17	Aaa	AA+	1.000	1.256	2,000,000.00	1,999,183.33	2,001,880.00	2,696.67	SU 1.5%, Callable 01/25/13, then qtrly
FEDERAL NATL MORTGAGE ASSN	08/10/10	08/10/15	Aaa	AA+	2.000	2.055	2,000,000.00	1,999,068.33	2,011,800.00	12,731.67	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	2,039,340.00	39,340.00	
FEDERAL NATL MORTGAGE ASSN	04/11/11	04/11/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,001,160.00	1,160.00	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	2,027,780.00	27,780.00	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	2,010,300.00	10,300.00	Callable 12/28/12, once
FEDERAL NATL MORTGAGE ASSN	03/28/12	03/28/17	Aaa	AA+	1.125	1.332	2,000,000.00	2,000,000.00	1,995,240.00	(4,760.00)	SU 1.125%-2.25%, Call 03/28/13, then qtrly
FEDERAL NATL MORTGAGE ASSN	09/21/10	09/21/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,076,600.00	76,600.00	
FEDERAL NATL MORTGAGE ASSN	12/10/10	10/26/15	Aaa	AA+	1.625	2.067	2,000,000.00	1,970,114.24	2,061,920.00	91,805.76	
FEDERAL NATL MORTGAGE ASSN	04/18/11	04/18/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,044,760.00	44,760.00	Callable 04/18/13, once
FEDERAL NATL MORTGAGE ASSN	01/30/12	01/30/17	Aaa	AA+	1.300	1.300	2,000,000.00	2,000,000.00	1,997,960.00	(2,040.00)	Callable 01/30/13, then qtrly
<b>Subtotal, Federal Agencies</b>							<u>107,200,000.00</u>	<u>107,437,937.17</u>	<u>108,720,748.00</u>	<u>1,282,810.83</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	1,994,441.67	2,085,260.00	90,818.33	
GENERAL ELECTRIC CAPITAL CORP	11/10/10	11/09/15	Aa2	AA+	2.250	2.250	2,000,000.00	2,000,000.00	2,055,440.00	55,440.00	
GENERAL ELECTRIC CAPITAL CORP	01/07/11	01/07/14	Aa2	AA+	2.100	2.100	2,000,000.00	2,000,000.00	2,041,480.00	41,480.00	
PROCTOR & GAMBLE	09/20/11	11/15/15	Aa3	AA-	1.800	1.085	2,000,000.00	2,050,502.74	2,063,420.00	12,917.26	
TOYOTA MOTOR CREDIT	09/26/11	09/15/16	Aa3	AA-	2.000	1.800	2,000,000.00	2,016,963.49	2,040,960.00	23,996.51	
<b>Subtotal, Corporate Securities</b>							<u>10,000,000.00</u>	<u>10,061,907.90</u>	<u>10,286,560.00</u>	<u>224,652.10</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>162,077,334.65</u>	<u>162,377,179.72</u>	<u>163,884,642.65</u>	<u>1,507,462.93</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  
March 31, 2012**

	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	-	-	-	-	-	-	-	-	-	-
2002 Municipal Improvement - Refunding COPs	6,533.05	547,530.00	-	-	-	-	-	-	554,063.05	554,063.05
2002 Water - Refunding COPs	8,625.54	1,088,268.76	-	-	-	-	-	-	1,096,894.30	1,096,894.30
1994 Water - Revenue Bonds	19,916.35	757,680.00	-	-	-	-	-	-	777,596.35	777,596.35
2002 Waterfront - Reference COPs	362,415.34	1,393,262.50	-	-	-	-	-	-	1,755,677.84	1,755,677.84
1992 Seismic - Safety Bonds	-	-	-	-	-	-	-	-	-	-
Subtotal, Reserve Funds	397,490.28	3,786,741.26	-	-	-	-	-	-	4,184,231.54	4,184,231.54
<i>PROJECT FUNDS</i>										
2001 RDA Bonds	2,365,858.89	-	-	-	-	-	-	-	2,365,858.89	2,365,858.89
2003 RDA Bonds	8,539,770.43	-	-	-	-	-	-	-	8,539,770.43	8,539,770.43
2004 Sewer Revenue Bonds	1,983,478.90	1,357,140.00	-	-	-	-	-	-	3,340,618.90	3,340,618.90
2009 Airport Bonds	2,257,710.57	-	-	-	-	-	3,100,000.00	3,119,158.00	5,357,710.57	5,376,868.57
Subtotal, Project Funds	15,146,818.79	1,357,140.00	-	-	-	-	3,100,000.00	3,119,158.00	19,603,958.79	19,623,116.79
Subtotal Bond Funds	15,544,309.07	5,143,881.26	-	-	-	-	3,100,000.00	3,119,158.00	23,788,190.33	23,807,348.33
<b>POLICE/FIRE - SVC RETIREMENT FUND</b>										
Police/Fire Funds	128,844.50	-	234,401.46	299,677.51	203,881.10	204,860.05	-	-	567,127.06	633,382.06
	128,844.50	-	234,401.46	299,677.51	203,881.10	204,860.05	-	-	567,127.06	633,382.06
<b>TOTAL FISCAL AGENT INVESTMENTS</b>	<b>15,673,153.57</b>	<b>5,143,881.26</b>	<b>234,401.46</b>	<b>299,677.51</b>	<b>203,881.10</b>	<b>204,860.05</b>	<b>3,100,000.00</b>	<b>3,119,158.00</b>	<b>24,355,317.39</b>	<b>24,440,730.39</b>

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