



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 25, 2017

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: June 30, 2017, Investment Report And June 30, 2017, Fiscal Agent Report

RECOMMENDATION: That Council:

- A. Accept the June 30, 2017, Investment Report; and
- B. Accept the June 30, 2017, 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 investment activity for the three-month period of April through June 2017.

Most Treasury yields were slightly higher by the end of the quarter. As shown in the table to the right, the change in Treasury yields ranged from a decrease of 18 basis points on the 30-year Treasury note to an increase of 27 basis points on the 3-month Treasury note. Maturities

| U.S. Treasury Market | | | | | |
|----------------------|-----------|-----------|-----------|-----------|-------------------|
| | 3/31/2017 | 4/30/2017 | 5/31/2017 | 6/30/2017 | Cumulative Change |
| 3 Month | 0.76% | 0.80% | 0.98% | 1.03% | 0.27% |
| 6 Month | 0.91% | 0.99% | 1.08% | 1.14% | 0.23% |
| 1 Year | 1.03% | 1.07% | 1.17% | 1.24% | 0.21% |
| 2 Year | 1.27% | 1.28% | 1.28% | 1.38% | 0.11% |
| 3 Year | 1.50% | 1.45% | 1.44% | 1.55% | 0.05% |
| 4 Year | 1.72% | 1.63% | 1.60% | 1.72% | 0.00% |
| 5 Year | 1.93% | 1.81% | 1.75% | 1.89% | -0.04% |
| 10 Year | 2.40% | 2.29% | 2.21% | 2.31% | -0.09% |
| 30 Year | 3.02% | 2.96% | 2.87% | 2.84% | -0.18% |
| LAIF | 0.78% | 0.92% | 0.92% | 0.92% | 0.14% |

ranging from 3 months to 3 years saw modest increases, while the 30-year, 10-year, and 5-year all slightly decreased in Treasury yield over the quarter.

The City generally invests in securities of one to five years in duration. Within this duration, interest rates ranged from 1.24% to 1.89% for Treasury securities at the end of the quarter. The Federal Reserve has been signaling its desire to raise the Federal Funds rate for some time, which in turn influences Treasury yields. At the December 2015 meeting, the Federal Reserve increased the Federal Funds rate for the first time in seven years. Since then, the Federal Reserve has raised rates three times by .25%, once in calendar year 2016 and twice in calendar year 2017. Even with

this higher Federal Funds rate and a corresponding rise in Treasury yields over the past six months, it will take several years before the City realizes a material increase in interest earnings, as existing securities mature and are replaced with higher-yielding securities.

Investment Activity

As shown in the Investment Activity table below, the City invested \$16 million during the quarter. The purchases consisted of \$8 million in “AAA” rated Federal Agency callable securities (identified by a call date), and \$8 million in “AAA” rated Federal Agency bullet securities. The purchases replaced \$6 million in Federal Agency securities that were called, and \$2 million in Federal Agency securities that matured over the quarter. In addition, the portfolio also received \$149,180 in a semi-annual principal payment on the Airport promissory note at the end of June. The outstanding balance on the Airport promissory note is \$4.480 million.

| Issuer | Face Amount | Purchase Date | Final Maturity | Call Date | Yield To Call | Yield To Maturity |
|--|---------------|---------------|----------------|-----------|---------------|-------------------|
| <i>Purchases:</i> | | | | | | |
| Federal Farm Credit Bank (FFCB) | \$ 2,000,000 | 04/13/17 | 04/13/20 | - | - | 1.550% |
| Federal Home Loan Mortgage Corp (FHLMC) | 2,000,000 | 04/27/17 | 07/27/21 | 07/27/18 | 1.800% | 1.800% |
| Federal Farm Credit Bank (FFCB) | 2,000,000 | 05/03/17 | 05/03/21 | - | - | 1.750% |
| Federal Home Loan Mortgage Corp (FHLMC) | 2,000,000 | 05/25/17 | 05/25/22 | 05/25/18 | 2.050% | 2.050% |
| Federal Home Loan Bank (FHLB) | 2,000,000 | 05/26/17 | 05/26/20 | - | - | 1.600% |
| Federal Home Loan Bank (FHLB) | 2,000,000 | 06/16/17 | 03/16/20 | - | - | 1.550% |
| Federal Home Loan Mortgage Corp (FHLMC) | 2,000,000 | 06/22/17 | 12/22/20 | 06/22/18 | 1.700% | 1.700% |
| Federal Home Loan Mortgage Corp (FHLMC) | 2,000,000 | 06/28/17 | 06/28/22 | 06/28/19 | 1.550% | 2.108% |
| | \$ 16,000,000 | | | | | |
| <i>Calls:</i> | | | | | | |
| Federal Home Loan Mortgage Corp (FHLMC) | \$ 2,000,000 | 02/17/17 | 02/17/22 | 05/17/17 | 2.250% | 2.418% |
| Federal Home Loan Mortgage Corp (FHLMC) | 2,000,000 | 02/28/17 | 02/25/22 | 05/25/17 | 2.375% | 2.375% |
| Federal Home Loan Bank (FHLB) | 2,000,000 | 12/28/16 | 12/28/21 | 06/28/17 | 1.625% | 2.351% |
| | \$ 6,000,000 | | | | | |
| <i>Sales/Maturities:</i> | | | | | | |
| Federal Home Loan Bank (FHLB) | \$ 2,000,000 | 06/18/14 | 06/09/17 | - | - | 1.003% |
| Airport Promissory Note - Partial Redemption | 149,180 | 07/14/09 | 06/30/29 | - | - | 4.195% |
| | \$ 2,149,180 | | | | | |

Summary of Cash and Investments

The book rate of return, or portfolio yield, measures the rate of return of actual earnings generated from the portfolio. As shown in the table to the right, during the quarter the City’s book rate of return increased by 3.5 basis points from 1.337 percent at March 31, 2017 to 1.372 percent at June 30, 2017.

| Mo. Ended | Yield | Days to Maturity |
|-----------|--------|------------------|
| 3/31/2017 | 1.337% | 669 |
| 4/30/2017 | 1.354% | 645 |
| 5/31/2017 | 1.326% | 600 |
| 6/30/2017 | 1.372% | 614 |

The portfolio’s average days to maturity, including the long-term Airport promissory note, decreased by 55 days from 669 to 614 days. Excluding the Airport note, the portfolio’s average days to maturity is 522 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 2.5 years, excluding any investments with a final maturity longer than 5 years that were separately authorized by

Council, such as the Airport promissory note.

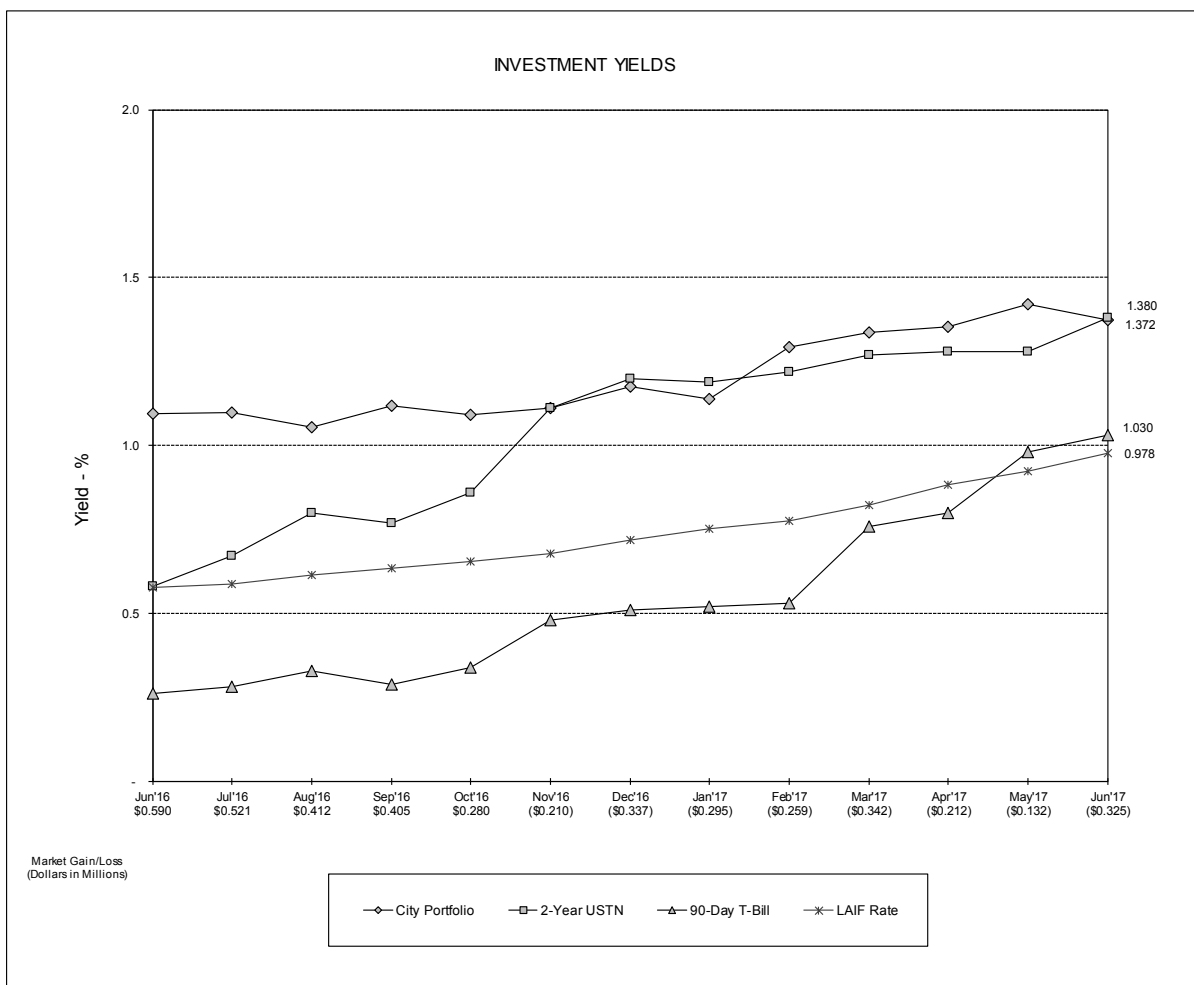
The average LAIF rate at which the City earned interest for funds invested was at 0.92 percent for the quarter ended June 30, 2017; an increase of 14 basis points from the previous quarter. The City's LAIF holdings at the end of the quarter were \$65 million. Staff expects to reinvest a portion of the LAIF balances in fixed-term or callable securities during the next quarter.

Credit Quality on Corporate Notes

There were no credit quality changes to the four corporate issuers of the medium-term notes held in the portfolio (i.e., Berkshire Hathaway, Inc., General Electric Capital Corp, Toyota Motor Credit, and Wells Fargo Bank, NA), and 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 rate dipped slightly



below the 2-year Treasury note rate in December 2016, January 2017, and again in June 2017. As of June 30, 2017, the City's portfolio rate exceeds the 90-day Treasury Bill and

LAIIF rates, and is 0.8 basis points below the 2-year Treasury Note rate. These benchmarks serve as indicators of the City's performance. Trends over time that substantially deviate from these benchmarks would warrant further analysis and review. At June 30, 2017, the portfolio had an overall unrealized market loss of approximately \$325,000.

On a quarterly basis, staff reports the five securities with the largest percentage of unrealized losses. However, because securities in the City's portfolio are held to maturity, no market losses would be realized.

| Issuer | Face Amount | Maturity | \$ Mkt Change | % Mkt Change |
|----------------------------|-------------|----------|---------------|--------------|
| FEDERAL HOME LOAN MTG CORP | \$2,000,000 | 10/27/21 | -\$44,900 | -2.25% |
| FEDERAL NATL MORTGAGE ASSN | \$2,000,000 | 09/29/21 | -\$44,620 | -2.23% |
| FEDERAL HOME LOAN BANK | \$2,000,000 | 10/12/21 | -\$40,600 | -2.03% |
| FEDERAL NATL MORTGAGE ASSN | \$2,000,000 | 08/16/21 | -\$38,560 | -1.93% |
| FEDERAL HOME LOAN BANK | \$2,000,000 | 11/23/21 | -\$34,400 | -1.72% |

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

Additional Reporting Requirements

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of June 30, 2017, 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 June 30, 2017.

ATTACHMENTS: 1. June 30, 2017, Investment Report
 2. June 30, 2017, Fiscal Agent Report

PREPARED BY: Julie Nemes, Treasury Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Activity and Interest Report
June 30, 2017

INVESTMENT ACTIVITY

PURCHASES OR DEPOSITS

| | |
|--|---------------------|
| 6/16 Federal Home Loan Bank (FHLB) | \$ 2,000,000 |
| 6/22 Federal Home Loan Mortgage Corp (FHLMC) | 2,000,000 |
| 6/28 Federal Home Loan Mortgage Corp (FHLMC) | 2,000,000 |
| Total | \$ 6,000,000 |

SALES, MATURITIES, CALLS OR WITHDRAWALS

| | |
|---|-----------------------|
| 6/9 Federal Home Loan Bank (FHLB) - Maturity | \$ (2,000,000) |
| 6/28 Federal Home Loan Bank (FHLB) - Call | (2,000,000) |
| 6/30 Airport Promissory Note - Partial Redemption | (149,180) |
| Total | \$ (4,149,180) |

ACTIVITY TOTAL

\$ 1,850,820

INVESTMENT INCOME

POOLED INVESTMENTS

| | |
|--------------------------------|-------------------|
| Interest Earned on Investments | \$ 208,062 |
| Amortization | (379) |
| Total | \$ 207,683 |

INCOME TOTAL

\$ 207,683

CITY OF SANTA BARBARA
Summary of Cash and Investments
June 30, 2017

ENDING BALANCE AS OF MAY 31, 2017

| Description | Book Value | Yield to Maturity (365 days) | Percent of Portfolio | Average Days to Maturity |
|-------------------------------------|------------------------------|------------------------------|----------------------|--------------------------|
| MUFG Union Bank NA Checking Account | \$ 17,754,037 | 0.400% | 9.37% | 1 |
| State of California LAIF | 65,000,000 | 0.925% | 34.32% | 1 |
| Certificates of Deposit | 7,000,000 | 1.644% | 3.70% | 368 |
| Treasury Securities | 1,985,242 | 1.610% | 1.05% | 1,187 |
| Federal Agency Issues - Coupon | 83,002,564 | 1.615% | 43.83% | 998 |
| Corporate/Medium Term Notes | 10,022,640 | 1.578% | 5.29% | 539 |
| | <u>184,764,484</u> | <u>1.255%</u> | <u>97.56%</u> | <u>505</u> |
| SB Airport Promissory Note | 4,628,681 | 4.195% | 2.44% | 4,412 |
| Totals and Averages | <u>\$ 189,393,165</u> | <u>1.326%</u> | <u>100.00%</u> | <u>600</u> |
| Total Cash and Investments | <u>\$ 189,393,165</u> | | | |

NET CASH AND INVESTMENT ACTIVITY FOR JUNE 2017

\$ (2,573,068)

ENDING BALANCE AS OF JUNE 30, 2017

| Description | Book Value | Yield to Maturity (365 days) | Percent of Portfolio | Average Days to Maturity |
|-------------------------------------|------------------------------|------------------------------|----------------------|--------------------------|
| MUFG Union Bank NA Checking Account | \$ 13,335,653 | 0.400% | 7.14% | 1 (1) |
| State of California LAIF | 65,000,000 | 0.978% | 34.79% | 1 (2) |
| Certificates of Deposit | 7,000,000 | 1.644% | 3.75% | 338 |
| Treasury Securities | 1,985,615 | 1.610% | 1.06% | 1,157 |
| Federal Agency Issues - Coupon | 85,002,881 | 1.624% | 45.50% | 1,003 |
| Corporate/Medium Term Notes | 10,021,572 | 1.578% | 5.36% | 509 |
| | <u>182,345,721</u> | <u>1.302%</u> | <u>97.60%</u> | <u>522</u> |
| SB Airport Promissory Note | 4,479,501 | 4.195% | 2.40% | 4,382 |
| Totals and Averages | <u>\$ 186,825,222</u> | <u>1.372%</u> | <u>100.00%</u> | <u>614</u> |
| UB Trust Cash | (5,125) | | | |
| Total Cash and Investments | <u>\$ 186,820,097</u> | | | |

Note: (1) Interest earnings allowance is provided at the rate of 0.400% by MUFG Union Bank, N.A. to help offset banking fees.

(2) The average life of the LAIF portfolio as of June 30, 2017 is 194 days.

CITY OF SANTA BARBARA

Investment Portfolio

June 30, 2017

| DESCRIPTION | PURCHASE DATE | MATURITY DATE | QUALITY RATING MOODY'S | QUALITY RATING S & P | STATED RATE | YIELD AT 365 | FACE VALUE | BOOK VALUE | MARKET VALUE | BOOK GAIN/(LOSS) | COMMENTS |
|--|---------------|---------------|---------------------------|-------------------------|-------------|--------------|---------------|---------------|---------------|------------------|-------------------------------------|
| LOCAL AGENCY INVESTMENT FUNDS | | | | | | | | | | | |
| LOCAL AGENCY INVESTMENT FUND | - | - | - | - | 0.978 | 0.978 | 65,000,000.00 | 65,000,000.00 | 65,000,000.00 | 0.00 | |
| Subtotal, LAIF | | | | | | | 65,000,000.00 | 65,000,000.00 | 65,000,000.00 | 0.00 | |
| CERTIFICATES OF DEPOSIT | | | | | | | | | | | |
| ALLY BANK | 09/24/15 | 09/25/17 | - | - | 1.250 | 1.250 | 250,000.00 | 250,000.00 | 250,070.00 | 70.00 | FDIC Certificate 57803 |
| AMERICAN EXPRESS BANK FSB | 10/23/14 | 10/23/19 | - | - | 2.200 | 2.200 | 250,000.00 | 250,000.00 | 252,360.00 | 2,360.00 | FDIC Certificate 35328 |
| AMERICAN EXPRESS CENTURION BK | 09/30/15 | 09/30/20 | - | - | 2.250 | 2.250 | 250,000.00 | 250,000.00 | 252,752.50 | 2,752.50 | FDIC Certificate 27471 |
| BMO HARRIS BANK NA | 09/30/15 | 09/29/17 | - | - | 1.100 | 1.100 | 250,000.00 | 250,000.00 | 250,062.50 | 62.50 | FDIC Certificate 16571 |
| BMW BK NORTH AMERICA | 09/30/15 | 09/30/20 | - | - | 2.200 | 2.200 | 250,000.00 | 250,000.00 | 253,252.50 | 3,252.50 | FDIC Certificate 35141 |
| CAPITAL ONE BANK USA NA | 10/29/14 | 10/29/19 | - | - | 1.900 | 1.900 | 250,000.00 | 250,000.00 | 252,372.50 | 2,372.50 | FDIC Certificate 33954 |
| CAPITAL ONE NA | 09/30/15 | 09/30/20 | - | - | 2.250 | 2.250 | 250,000.00 | 250,000.00 | 253,250.00 | 3,250.00 | FDIC Certificate 4297 |
| DISCOVER BANK | 09/30/15 | 09/30/20 | - | - | 2.300 | 2.300 | 250,000.00 | 250,000.00 | 253,642.50 | 3,642.50 | FDIC Certificate 5649 |
| EVERBANK | 09/30/15 | 09/29/17 | - | - | 1.100 | 1.100 | 250,000.00 | 250,000.00 | 250,005.00 | 5.00 | FDIC Certificate 34775 |
| GE CAPITAL BANK | 10/17/14 | 10/17/19 | - | - | 2.000 | 2.000 | 250,000.00 | 250,000.00 | 252,310.00 | 2,310.00 | FDIC Certificate 33778 |
| GOLDMAN SACHS BANK USA | 10/29/14 | 10/29/19 | - | - | 2.150 | 2.150 | 250,000.00 | 250,000.00 | 252,362.50 | 2,362.50 | FDIC Certificate 33124 |
| KEY BANK NA | 09/30/15 | 10/02/17 | - | - | 1.150 | 1.150 | 250,000.00 | 250,000.00 | 250,067.50 | 67.50 | FDIC Certificate 17534 |
| UNION BANK | 08/31/12 | 08/31/17 | - | - | 1.490 | 1.511 | 4,000,000.00 | 4,000,000.00 | 4,000,000.00 | 0.00 | |
| Subtotal, Certificates of deposit | | | | | | | 7,000,000.00 | 7,000,000.00 | 7,022,507.50 | 22,507.50 | |
| TREASURY SECURITIES - COUPON | | | | | | | | | | | |
| U S TREASURY NOTE | 02/01/17 | 08/31/20 | Aaa | AA+ | 1.375 | 1.610 | 2,000,000.00 | 1,985,614.96 | 1,985,940.00 | 325.04 | |
| Subtotal, Treasury Securities | | | | | | | 2,000,000.00 | 1,985,614.96 | 1,985,940.00 | 325.04 | |
| FEDERAL AGENCY ISSUES - COUPON | | | | | | | | | | | |
| FED AGRICULTURAL MTG CORP | 10/03/13 | 10/03/18 | - | - | 1.720 | 1.720 | 2,000,000.00 | 2,000,000.00 | 2,007,320.00 | 7,320.00 | |
| FED AGRICULTURAL MTG CORP | 12/12/13 | 12/12/18 | - | - | 1.705 | 1.705 | 2,000,000.00 | 2,000,000.00 | 2,009,960.00 | 9,960.00 | |
| FED AGRICULTURAL MTG CORP | 01/17/17 | 01/17/20 | - | - | 1.675 | 1.675 | 2,000,000.00 | 2,000,000.00 | 1,997,740.00 | (2,260.00) | Callable 01/17/18, then semi annual |
| FED AGRICULTURAL MTG CORP | 12/29/16 | 01/15/21 | - | - | 2.000 | 2.000 | 2,000,000.00 | 2,000,000.00 | 2,011,300.00 | 11,300.00 | |
| FEDERAL FARM CREDIT BANK | 04/13/17 | 04/13/20 | Aaa | AA+ | 1.550 | 1.550 | 2,000,000.00 | 2,000,000.00 | 1,995,260.00 | (4,740.00) | |
| FEDERAL FARM CREDIT BANK | 09/18/13 | 09/18/17 | Aaa | AA+ | 1.550 | 1.550 | 2,000,000.00 | 2,000,000.00 | 2,002,540.00 | 2,540.00 | |
| FEDERAL FARM CREDIT BANK | 05/03/17 | 05/03/21 | Aaa | AA+ | 1.750 | 1.750 | 2,000,000.00 | 2,000,000.00 | 1,994,220.00 | (5,780.00) | |
| FEDERAL FARM CREDIT BANK | 07/17/13 | 07/17/17 | Aaa | AA+ | 1.300 | 1.300 | 2,000,000.00 | 2,000,000.00 | 2,000,300.00 | 300.00 | |
| FEDERAL FARM CREDIT BANK | 06/24/15 | 06/24/19 | Aaa | AA+ | 1.520 | 1.520 | 2,000,000.00 | 2,000,000.00 | 2,000,800.00 | 800.00 | |
| FEDERAL FARM CREDIT BANK | 12/12/16 | 12/12/19 | Aaa | AA+ | 1.450 | 1.450 | 2,000,000.00 | 2,000,000.00 | 1,995,940.00 | (4,060.00) | |
| FEDERAL HOME LOAN BANK | 09/13/13 | 09/14/18 | Aaa | AA+ | 2.000 | 1.910 | 2,000,000.00 | 2,002,053.20 | 2,014,840.00 | 12,786.80 | |
| FEDERAL HOME LOAN BANK | 01/17/14 | 04/17/18 | Aaa | AA+ | 1.480 | 1.480 | 2,000,000.00 | 2,000,000.00 | 2,002,920.00 | 2,920.00 | |
| FEDERAL HOME LOAN BANK | 10/12/16 | 10/12/21 | Aaa | AA+ | 1.700 | 1.700 | 2,000,000.00 | 2,000,000.00 | 1,959,400.00 | (40,600.00) | Callable 07/12/17, then qtrly |
| FEDERAL HOME LOAN BANK | 11/23/16 | 11/23/21 | Aaa | AA+ | 1.650 | 1.650 | 2,000,000.00 | 2,000,000.00 | 1,965,600.00 | (34,400.00) | Callable 08/23/17, then qtrly |
| FEDERAL HOME LOAN BANK | 05/26/17 | 05/26/20 | Aaa | AA+ | 1.600 | 1.600 | 2,000,000.00 | 2,000,000.00 | 1,998,680.00 | (1,320.00) | |
| FEDERAL HOME LOAN BANK | 06/16/17 | 03/16/20 | Aaa | AA+ | 1.550 | 1.550 | 2,000,000.00 | 2,000,000.00 | 1,996,480.00 | (3,520.00) | |
| FEDERAL HOME LOAN BANK | 12/16/13 | 12/14/18 | Aaa | AA+ | 1.750 | 1.650 | 2,000,000.00 | 2,002,774.98 | 2,010,780.00 | 8,005.02 | |
| FEDERAL HOME LOAN BANK | 12/15/16 | 06/15/20 | Aaa | AA+ | 1.500 | 1.500 | 2,000,000.00 | 2,000,000.00 | 1,983,140.00 | (16,860.00) | Callable 12/15/17, once |
| FEDERAL HOME LOAN BANK | 11/22/16 | 11/22/21 | Aaa | AA+ | 1.750 | 1.750 | 2,000,000.00 | 2,000,000.00 | 1,981,480.00 | (18,520.00) | |
| FEDERAL HOME LOAN MTG CORP | 05/25/17 | 05/25/22 | Aaa | AA+ | 2.050 | 2.050 | 2,000,000.00 | 2,000,000.00 | 1,994,300.00 | (5,700.00) | Callable 05/25/18, once |
| FEDERAL HOME LOAN MTG CORP | 06/28/17 | 06/28/22 | Aaa | AA+ | 1.550 | 2.108 | 2,000,000.00 | 2,000,000.00 | 1,994,880.00 | (5,120.00) | SU 1.55%-2.5%, Call 06-28-19, once |
| FEDERAL HOME LOAN MTG CORP | 12/30/16 | 12/30/21 | Aaa | AA+ | 2.050 | 2.050 | 2,000,000.00 | 2,000,000.00 | 1,993,320.00 | (6,680.00) | Callable 09/30/17, then qtrly |

CITY OF SANTA BARBARA

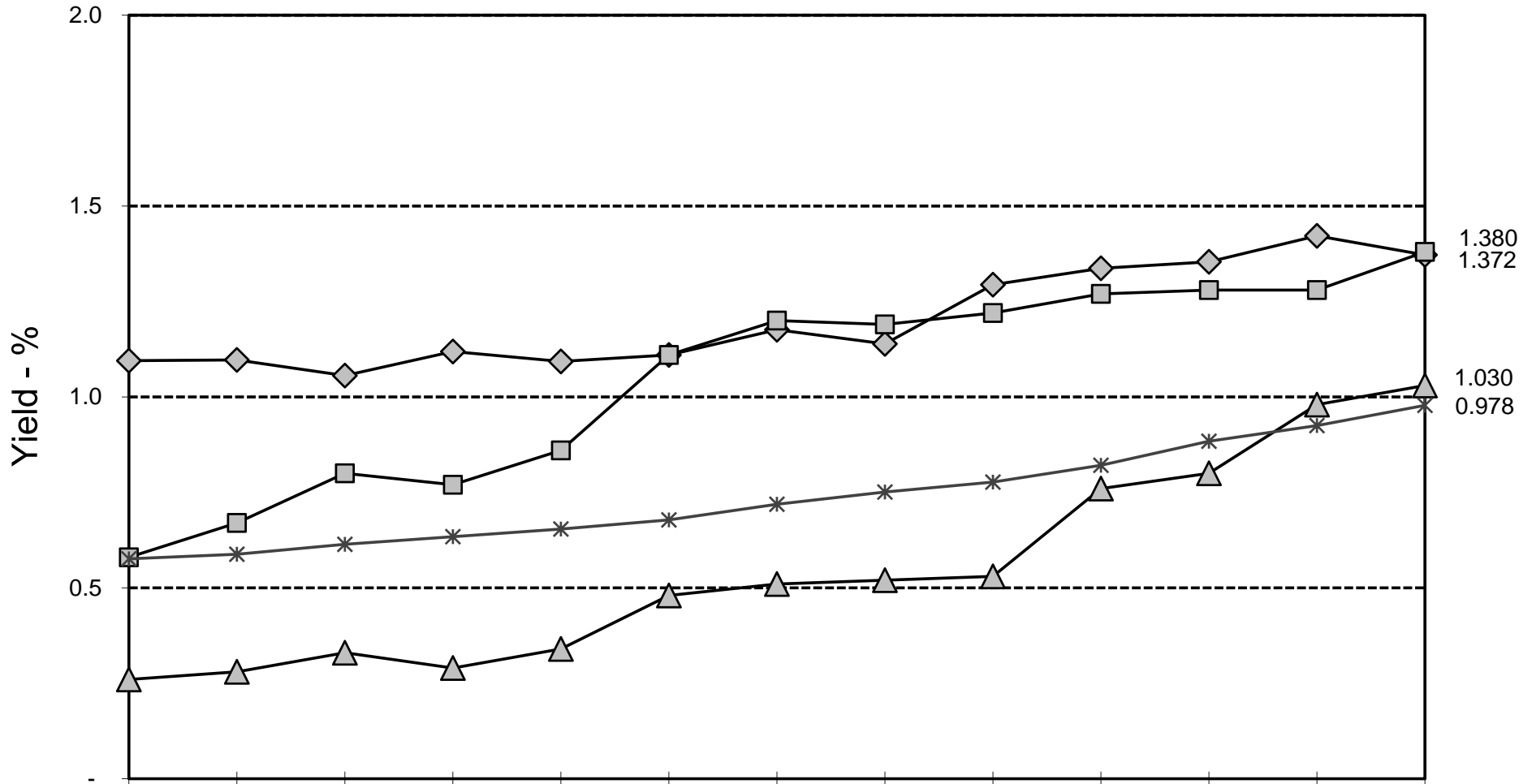
Investment Portfolio

June 30, 2017

| DESCRIPTION | PURCHASE | MATURITY | QUALITY RATING | | STATED | YIELD AT | FACE | BOOK | MARKET | BOOK | COMMENTS |
|--|----------|----------|----------------|-------|--------|----------|-----------------------|-----------------------|-----------------------|---------------------|---|
| | DATE | DATE | MOODY'S | S & P | | | | | | | |
| FEDERAL HOME LOAN MTG CORP | 01/17/17 | 01/17/20 | Aaa | AA+ | 1.500 | 1.500 | 2,000,000.00 | 2,000,000.00 | 1,998,320.00 | (1,680.00) | |
| FEDERAL HOME LOAN MTG CORP | 02/28/17 | 02/25/19 | Aaa | AA+ | 1.400 | 1.400 | 2,000,000.00 | 2,000,000.00 | 1,997,240.00 | (2,760.00) | Callable 08/25/17, then qtrly |
| FEDERAL HOME LOAN MTG CORP | 02/27/17 | 11/27/20 | Aaa | AA+ | 1.850 | 1.850 | 2,000,000.00 | 2,000,000.00 | 2,003,160.00 | 3,160.00 | Callable 11/27/17, once |
| FEDERAL HOME LOAN MTG CORP | 03/16/17 | 09/16/21 | Aaa | AA+ | 2.000 | 2.000 | 2,000,000.00 | 2,000,000.00 | 1,995,200.00 | (4,800.00) | Callable 03/16/18, once |
| FEDERAL HOME LOAN MTG CORP | 04/27/17 | 07/27/21 | Aaa | AA+ | 1.800 | 1.800 | 2,000,000.00 | 2,000,000.00 | 1,988,400.00 | (11,600.00) | Callable 07/27/18, once |
| FEDERAL HOME LOAN MTG CORP | 06/22/17 | 12/22/20 | Aaa | AA+ | 1.700 | 1.700 | 2,000,000.00 | 2,000,000.00 | 1,991,600.00 | (8,400.00) | Callable 06/22/18, once |
| FEDERAL HOME LOAN MTG CORP | 10/27/16 | 10/27/21 | Aaa | AA+ | 1.400 | 1.657 | 2,000,000.00 | 2,000,000.00 | 1,955,100.00 | (44,900.00) | SU 1.4%-3%, Call 07/27/17, then qtrly |
| FEDERAL HOME LOAN MTG CORP | 01/26/17 | 01/26/22 | Aaa | AA+ | 2.200 | 2.200 | 2,000,000.00 | 2,000,000.00 | 1,999,620.00 | (380.00) | Callable 01/26/18, then qtrly |
| FEDERAL HOME LOAN MTG CORP | 03/29/17 | 03/29/21 | Aaa | AA+ | 2.000 | 2.000 | 2,000,000.00 | 2,000,000.00 | 2,001,880.00 | 1,880.00 | Callable 03/29/18, once |
| FEDERAL HOME LOAN MTG CORP | 11/20/13 | 09/29/17 | Aaa | AA+ | 1.000 | 1.030 | 1,000,000.00 | 999,927.78 | 999,770.00 | (157.78) | |
| FEDERAL HOME LOAN MTG CORP | 09/29/16 | 09/29/21 | Aaa | AA+ | 1.250 | 1.858 | 2,000,000.00 | 2,000,000.00 | 1,975,920.00 | (24,080.00) | SU 1.25%-3.5% Call 09/29/17, then qtrly |
| FEDERAL NATL MORTGAGE ASSN | 11/15/13 | 10/26/17 | Aaa | AA+ | 0.875 | 1.062 | 2,000,000.00 | 1,998,833.00 | 1,998,580.00 | (253.00) | |
| FEDERAL NATL MORTGAGE ASSN | 12/11/13 | 11/27/18 | Aaa | AA+ | 1.625 | 1.606 | 2,000,000.00 | 2,000,509.97 | 2,006,840.00 | 6,330.03 | |
| FEDERAL NATL MORTGAGE ASSN | 05/26/16 | 05/26/20 | Aaa | AA+ | 1.375 | 1.375 | 2,000,000.00 | 2,000,000.00 | 1,970,100.00 | (29,900.00) | |
| FEDERAL NATL MORTGAGE ASSN | 08/16/16 | 08/16/21 | Aaa | AA+ | 1.500 | 1.500 | 2,000,000.00 | 2,000,000.00 | 1,961,440.00 | (38,560.00) | Callable 08/16/17, then qtrly |
| FEDERAL NATL MORTGAGE ASSN | 11/27/15 | 11/27/19 | Aaa | AA+ | 1.125 | 1.678 | 2,000,000.00 | 2,000,000.00 | 1,997,800.00 | (2,200.00) | SU 1.125%-2.250%, Call 11/27/17, once |
| FEDERAL NATL MORTGAGE ASSN | 07/26/16 | 07/26/19 | Aaa | AA+ | 1.125 | 1.125 | 2,000,000.00 | 2,000,000.00 | 1,982,000.00 | (18,000.00) | Callable 07/26/17, once |
| FEDERAL NATL MORTGAGE ASSN | 09/29/16 | 09/29/21 | Aaa | AA+ | 1.600 | 1.600 | 2,000,000.00 | 2,000,000.00 | 1,955,380.00 | (44,620.00) | Callable 09/29/17, then qtrly |
| FEDERAL NATL MORTGAGE ASSN | 02/05/13 | 02/05/18 | Aaa | AA+ | 1.000 | 1.000 | 2,000,000.00 | 2,000,000.00 | 1,994,720.00 | (5,280.00) | Callable 08/05/17, then qtrly |
| FEDERAL NATL MORTGAGE ASSN | 11/20/13 | 10/26/17 | Aaa | AA+ | 0.875 | 1.070 | 2,000,000.00 | 1,998,781.78 | 1,998,580.00 | (201.78) | |
| FEDERAL NATL MORTGAGE ASSN | 05/26/16 | 11/26/19 | Aaa | AA+ | 1.300 | 1.300 | 2,000,000.00 | 2,000,000.00 | 1,986,080.00 | (13,920.00) | |
| Subtotal, Federal Agencies | | | | | | | 85,000,000.00 | 85,002,880.71 | 84,668,930.00 | (333,950.71) | |
| CORPORATE/MEDIUM TERM NOTES | | | | | | | | | | | |
| BERKSHIRE HATHAWAY INC | 11/29/13 | 02/09/18 | Aa2 | AA | 1.550 | 1.550 | 2,000,000.00 | 2,000,000.00 | 2,001,880.00 | 1,880.00 | |
| GENERAL ELECTRIC CAPITAL CORP | 01/14/14 | 01/14/19 | A1 | AA- | 2.300 | 2.250 | 2,000,000.00 | 2,001,443.94 | 2,018,080.00 | 16,636.06 | |
| TOYOTA MOTOR CREDIT | 11/20/15 | 07/13/18 | Aa3 | AA- | 1.550 | 1.408 | 2,000,000.00 | 2,002,865.14 | 2,003,480.00 | 614.86 | |
| TOYOTA MOTOR CREDIT | 09/15/16 | 05/20/19 | Aa3 | AA- | 1.400 | 1.307 | 2,000,000.00 | 2,003,433.70 | 1,987,900.00 | (15,533.70) | |
| WELLS FARGO BANK NA | 09/15/16 | 05/24/19 | Aa2 | AA- | 1.750 | 1.377 | 2,000,000.00 | 2,013,829.16 | 1,996,120.00 | (17,709.16) | |
| Subtotal, Corporate Securities | | | | | | | 10,000,000.00 | 10,021,571.94 | 10,007,460.00 | (14,111.94) | |
| SB AIRPORT PROMISSORY NOTE (LT) | | | | | | | | | | | |
| SANTA BARBARA AIRPORT | 07/14/09 | 06/30/29 | - | - | 3.500 | 4.195 | 4,479,501.01 | 4,479,501.01 | 4,479,501.01 | 0.00 | |
| Subtotal, SBA Note | | | | | | | 4,479,501.01 | 4,479,501.01 | 4,479,501.01 | 0.00 | |
| CHECKING ACCOUNT | | | | | | | | | | | |
| MUFG UNION BANK NA CHKNG ACCNT | - | - | - | - | 0.400 | 0.400 | 13,335,653.22 | 13,335,653.22 | 13,335,653.22 | 0.00 | |
| Subtotal, Checking Account | | | | | | | 13,335,653.22 | 13,335,653.22 | 13,335,653.22 | 0.00 | |
| CASH | | | | | | | | | | | |
| UB TRUST CASH | - | - | - | - | 0.000 | 0.000 | (5,125.00) | (5,125.00) | (5,125.00) | 0.00 | |
| Subtotal, Cash | | | | | | | (5,125.00) | (5,125.00) | (5,125.00) | 0.00 | |
| TOTALS | | | | | | | 186,810,029.23 | 186,820,096.84 | 186,494,866.73 | (325,230.11) | |

Market values have been obtained from the City's safekeeping agent, MUFG Union Bank NA - The Private Bank (UBTPB). UBTPB uses Interactive Data Pricing Service, Bloomberg and DTC.

INVESTMENT YIELDS



Market Gain/Loss (Dollars in Millions)

| | | | | | | | | | | | | |
|---------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Jun'16 | Jul'16 | Aug'16 | Sep'16 | Oct'16 | Nov'16 | Dec'16 | Jan'17 | Feb'17 | Mar'17 | Apr'17 | May'17 | Jun'17 |
| \$0.590 | \$0.521 | \$0.412 | \$0.405 | \$0.280 | (\$0.210) | (\$0.337) | (\$0.295) | (\$0.259) | (\$0.342) | (\$0.212) | (\$0.132) | (\$0.325) |



CITY OF SANTA BARBARA
Fiscal Agent Investments
June 30, 2017

| | 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 |
| | | | | | | | | | | |
| BOND FUNDS | | | | | | | | | | |
| <i>RESERVE FUNDS</i> | | | | | | | | | | |
| 2004 RDA - Housing Bonds | 617,662.45 | - | - | - | - | - | - | - | 617,662.45 | 617,662.45 |
| 2002 Municipal Improvement - Refunding COPs | - | - | - | - | - | - | - | - | - | - |
| 2011 Water - Safe Drinking Water State Loan | 1,011,188.54 | - | - | - | - | - | - | - | 1,011,188.54 | 1,011,188.54 |
| 2013 Water - Refunding COPS | 16,619.93 | 428,069.44 | - | - | - | - | 636,099.18 | 640,640.00 | 1,080,788.55 | 1,085,329.37 |
| 2016 Sewer - Revenue Bonds | 11,172.74 | - | - | - | - | - | - | - | 11,172.74 | 11,172.74 |
| 2009 Airport - Revenue Bonds | 2,140,375.36 | - | - | - | - | - | 3,139,457.55 | 3,138,150.20 | 5,279,832.91 | 5,278,525.56 |
| 2014 Waterfront - Refunding Bonds | 10,102.26 | 581,455.74 | - | - | - | - | - | - | 591,558.00 | 591,558.00 |
| Subtotal, Reserve Funds | <u>3,807,121.28</u> | <u>1,009,525.18</u> | - | - | - | - | <u>3,775,556.73</u> | <u>3,778,790.20</u> | <u>8,592,203.19</u> | <u>8,595,436.66</u> |
| <i>PROJECT FUNDS</i> | | | | | | | | | | |
| 2001 RDA Bonds | 27,156.83 | - | - | - | - | - | - | - | 27,156.83 | 27,156.83 |
| 2003 RDA Bonds | 7,577,587.84 | - | - | - | - | - | - | - | 7,577,587.84 | 7,577,587.84 |
| Subtotal, Project Funds | <u>7,604,744.67</u> | - | - | - | - | - | - | - | <u>7,604,744.67</u> | <u>7,604,744.67</u> |
| SUBTOTAL BOND FUNDS | 11,411,865.95 | 1,009,525.18 | - | - | - | - | 3,775,556.73 | 3,778,790.20 | 16,196,947.86 | 16,200,181.33 |
| POLICE/FIRE - SVC RETIREMENT FUND | | | | | | | | | | |
| Police/Fire Funds | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - |
| TOTAL FISCAL AGENT INVESTMENTS | <u>11,411,865.95</u> | <u>1,009,525.18</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,775,556.73</u> | <u>3,778,790.20</u> | <u>16,196,947.86</u> | <u>16,200,181.33</u> |

Notes:

- (1) Cash & cash equivalents include money market funds.
- (2) Market values have been obtained from the following trustees: US Bank and MUFG Union Bank, N.A. - The Private Bank