Agenda Item No. 4

File Code No. 260.02

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 31, 2012

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: June 30, 2012, Investment Report And June 30, 2012, Fiscal Agent Report

RECOMMENDATION: That Council:

A. Accept the June 30, 2012, Investment Report; and
B. Accept the June 30, 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 April through June 2012.

After a robust first quarter, financial markets were marked by volatility in the second quarter. Overall, markets declined in the second quarter, due to concerns over the global impact of Europe's debt and banking crisis, general financial uncertainty over the growing number of lower earnings reports issued during the quarter, and an apparent slowing of economic growth in the U.S.

The Dow Jones Industrial Average (DJIA) index, which measures stocks from 30 industrial "blue-chip" companies, dropped 1.85 percent from the previous quarter; the S&P 500, composed of 500 "large-cap" companies across various sectors, was down 2.75 percent; and the NASDAQ Composite, which largely measures technology stocks, was lower by 5.06 percent. However, at the end of the second quarter, financial markets were still in positive territory for the year.

At its June meeting, the Federal Reserve Bank's Open Market Committee (FOMC) reviewed economic data that suggested a slowing of the U.S. economic expansion from the first quarter, including a slower retail spending, lower government purchases, subdued wage increases, deteriorating consumer sentiment, and continuing "elevated" unemployment. The unemployment rate was unchanged at 8.2 percent in June, with approximately 12.7 million people unemployed. Citing this economic data and "strains in global financial markets that continue to pose significant downside risks to the economic outlook", the Committee revised its near term forecast downward for both real GDP growth and inflation.

Consistent with its dual mandate of fostering price stability and maximum employment, the Committee maintained the current federal funds rate at a target range of 0-1/4 percent. It also announced that it would continue its “highly accommodative” monetary policy, popularly referred to as “Operation Twist”, by expanding longer-term holdings through the end of the calendar year. 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.

The Consumer Price Index (CPI-U) is a general measure of inflation showing the average change in prices of goods and services purchased by households over time. The 12-month change in CPI-U increased 1.7 percent in June. Declines in the energy index, and particularly the gasoline index, were offset by overall increases in food prices and the index for all items less food and energy. In fact, the gasoline index declined for the third straight month. On a seasonally adjusted basis, the June CPI-U was unchanged from May.

As shown in the table to the right, Treasury yields were lower at the end of the quarter for Treasury notes with maturities of 3 years and longer. This “flattening” of the yield curve represents a narrowing of the interest rate spread between the shorter and longer maturities, providing investors less incentive to invest funds for longer periods. The State of California’s Local Agency Investment Fund (LAIF) rate decreased slightly, by 2 basis points, during the quarter.

U.S. Treasury Market					
	3/31/2012	4/30/2012	5/31/2012	6/30/2012	Cumulative Change
3 Month	0.07%	0.10%	0.07%	0.09%	0.02%
6 Month	0.15%	0.15%	0.14%	0.16%	0.01%
1 Year	0.19%	0.20%	0.18%	0.21%	0.02%
2 Year	0.33%	0.27%	0.27%	0.33%	0.00%
3 Year	0.51%	0.38%	0.35%	0.41%	-0.10%
4 Year	0.77%	0.59%	0.50%	0.56%	-0.21%
5 Year	1.04%	0.82%	0.67%	0.72%	-0.32%
10 Year	2.23%	1.95%	1.59%	1.67%	-0.56%
30 Year	3.35%	3.12%	2.67%	2.76%	-0.59%
LAIF	0.38%	0.36%	0.36%	0.36%	-0.02%

Investment Activity

As shown in the Investment Activity table on the next page, the City invested $12 million in “AAA” rated Federal Agency callable securities and $2 million in Federal Agency bullet securities during the quarter, replacing the securities that matured or were called by the issuers before the final maturity date. Over the quarter, $17 million of Federal Agency securities were called, and $8.7 million in securities matured. In addition, the portfolio also received $88,150 in a semi-annual principal payment on the Airport promissory note at the end of June.

Issuer	Face Amount	Purchase Date	Final Maturity	Call Date	Yield To Call	Yield To Maturity
Purchases:						
Federal National Mortgage Association (FNMA)	$ 2,000,000	04/12/12	04/12/17	04/12/13	1.400%	1.400%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	04/23/12	04/17/15	-	-	0.534%
Federal National Mortgage Association (FNMA)	2,000,000	04/24/12	04/24/17	10/24/12	1.500%	1.500%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	05/24/12	05/24/17	05/24/13	1.200%	1.200%
Federal National Mortgage Association (FNMA)	2,000,000	06/01/12	05/29/15	05/29/13	0.650%	0.650%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	06/07/12	06/07/17	06/07/13	1.300%	1.300%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	06/12/12	06/12/17	06/12/14	1.250%	1.250%
	$ 14,000,000					
Calls:						
Federal Farm Credit Bank (FFCB)	$ 2,000,000	04/30/10	04/09/15	04/09/12	2.940%	2.916%
Federal National Mortgage Association (FNMA)	2,000,000	04/11/11	04/11/16	04/11/12	2.500%	2.500%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	11/09/11	11/09/16	05/09/12	1.800%	1.800%
Federal Farm Credit Bank (FFCB)	2,000,000	11/23/10	11/23/15	05/23/12	2.000%	2.000%
Federal National Mortgage Association (FNMA)	2,000,000	06/07/11	03/07/16	06/07/12	2.075%	2.075%
Federal Home Loan Bank (FHLB)	5,000,000	02/28/12	02/28/17	06/28/12	1.250%	1.250%
Federal National Mortgage Association (FNMA)	2,000,000	09/28/11	09/28/16	06/28/12	1.300%	1.475%
	$ 17,000,000					
Maturities:						
Federal Farm Credit Bank (FFCB)	$ 2,000,000	03/06/09	04/24/12	-	-	2.120%
Federal Home Loan Mortgage Corp (FHLMC)	1,000,000	03/26/10	04/25/12	-	-	1.197%
Federal Home Loan Bank (FHLB)	1,700,000	03/04/09	06/08/12	-	-	2.110%
Federal Home Loan Bank (FHLB)	2,000,000	03/26/10	06/08/12	-	-	1.325%
Federal Farm Credit Bank (FFCB)	2,000,000	06/19/09	06/18/12	-	-	2.125%
Airport Promissory Note - Partial Redemption	88,150	07/14/09	06/30/29	-	-	7.000%
	$ 8,788,150					

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 21.5 basis points from 1.636 percent at March 31, 2012 to 1.421 percent at June 30, 2012. The book rate of return continues to decline through the attrition of overall higher-yielding securities and reinvestment at current market rates.

Mo. Ended	Yield	Days to Maturity
3/31/2012	1.636%	1,043
4/30/2012	1.527%	1,004
5/31/2012	1.506%	974
6/30/2012	1.421%	924

The portfolio's average days to maturity, including the long-term Airport promissory note, decreased by 119 days from 1043 to 924 days. Excluding the Airport note, the portfolio's average days to maturity is 735 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 average rate at which the City earned interest for funds invested in the Local Agency Investment Fund (LAIF), the State's managed investment pool, was at 0.36 percent for the quarter ended June 30, 2012. The City's LAIF holdings at the end of the quarter were $45 million and the Redevelopment Successor Agency LAIF holdings were $9 million for a total of $54 million. Staff expects to reinvest a portion of the LAIF balances in short-term or callable securities during the next quarter.

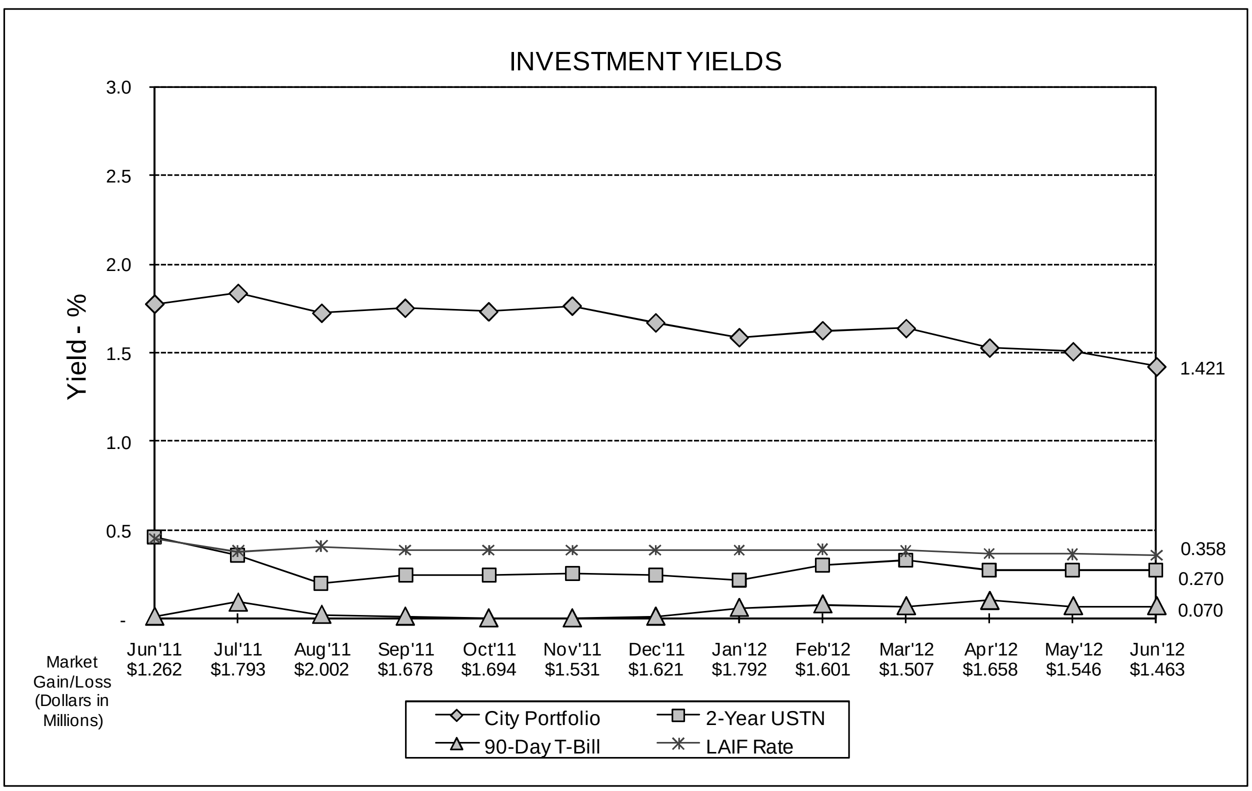
Credit Quality on Corporate Notes

During the quarter, Moody's downgraded General Electric Capital Corp's (GECC) corporate rating by two notches from "Aa2" to "A1", citing risk on the financial unit in the event of another credit crisis. However, Moody's outlook for GECC remains stable and the Standard & Poor's rating was unchanged at AA+. Despite the downgrade, GECC's corporate rating remains above the City's minimum guidelines of "A" or better.

There were no other changes to the three other corporate issuers of the medium-term notes held in the portfolio (i.e., Berkshire Hathaway Financial, Proctor & Gamble, and Toyota Motor Credit) 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 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 June 30, 2012, the portfolio had an overall unrealized market gain of $1.463 million.



On a quarterly basis, staff reports the five securities with the largest percentage of unrealized losses when comparing book value to market value. There were only three securities trading below purchase price at the end of the quarter. Market losses occur when current market yields rise above the yields on securities held in the portfolio. However, since securities in the City's 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 $1.463 million.

Issuer	Face Amount	Maturity	$ Mkt Change	% Mkt Change
FEDERAL HOME LOAN MTG CORP	$2,000,000	06/12/17	-$6,600	-0.33%
FEDERAL HOME LOAN MTG CORP	$2,000,000	05/24/17	-$2,020	-0.10%
FEDERAL NATL MORTGAGE ASSN	$2,000,000	05/29/15	-$600	-0.03%

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 June 30, 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 June 30, 2012.

ATTACHMENTS: 1. June 30, 2012, Investment Report
2. June 30, 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
June 30, 2012

INVESTMENT ACTIVITY

PURCHASES OR DEPOSITS

6/1	Federal National Mortgage Association (FNMA)	$	2,000,000
6/7	Federal Home Loan Mortgage Corp (FHLMC)		2,000,000
6/11	LAIF Deposit - City		5,000,000
6/12	Federal Home Loan Mortgage Corp (FHLMC)		2,000,000
6/19	LAIF Deposit - City		4,000,000
6/28	LAIF Deposit - City		5,000,000
	Total	**$**	**20,000,000**

SALES, MATURITIES, CALLS OR WITHDRAWALS

6/7	Federal National Mortgage Association (FNMA) - Call	$	(2,000,000)
6/8	Federal Home Loan Bank (FHLB) - Maturity		(1,700,000)
6/8	Federal Home Loan Bank (FHLB) - Maturity		(2,000,000)
6/13	LAIF Withdrawal - City		(5,000,000)
6/18	Federal Farm Credit Bank (FFCB) - Maturity		(2,000,000)
6/28	Federal Home Loan Bank (FHLB) - Call		(5,000,000)
6/28	Federal National Mortgage Association (FNMA) - Call		(2,000,000)
6/29	LAIF Withdrawal - City		(1,000,000)
6/30	Airport Promissory Note - Partial Redemption		(88,150)
	Total	**$**	**(20,788,150)**

ACTIVITY TOTAL **$ (788,150)**

INVESTMENT INCOME

POOLED INVESTMENTS

INTEREST INCOME		
Interest Earned on Investments	$	212,019
Amortization		(12,461)
Interest on SBB&T Accounts		178
Total	**$**	**199,735**

REDEVELOPMENT SUCCESSOR AGENCY INVESTMENTS

Interest Earned on Investments (LAIF)	**$**	**2,648**

INCOME TOTAL **$ 202,384**

Attachment #1

CITY OF SANTA BARBARA
Summary of Cash and Investments
June 30, 2012

ENDING BALANCE AS OF MAY 31, 2012

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	$ 46,000,000	0.363%	27.32%	1
Certificates of Deposit	2,000,000	0.800%	1.19%	535
Federal Agency Issues - Coupon	104,408,712	1.671%	62.02%	1,093
Corporate/Medium Term Notes	10,059,200	1.948%	5.98%	1,193
	162,467,912	1.307%	96.51%	783
SB Airport Promissory Note	5,877,335	7.000%	3.49%	6,238
Totals and Averages	$ 168,345,246	1.506%	100.00%	974
SBB&T Money Market Account	9,491,357			
Total Cash and Investments	**$ 177,836,603**			

NET CASH AND INVESTMENT ACTIVITY FOR JUNE 2012 **$ (5,873,182)**

ENDING BALANCE AS OF JUNE 30, 2012

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity	
State of California LAIF	$ 54,000,000	0.358%	32.23%	1	(1)
Certificates of Deposit	2,000,000	0.800%	1.19%	505	
Federal Agency Issues - Coupon	95,697,605	1.641%	57.12%	1,109	
Corporate/Medium Term Notes	10,057,845	1.948%	6.00%	1,163	
	161,755,451	1.221%	96.54%	735	
SB Airport Promissory Note	5,789,184	7.000%	3.46%	6,208	
Totals and Averages	$ 167,544,635	1.421%	100.00%	924	
SBB&T Money Market Account	4,418,786				
Total Cash and Investments	**$ 171,963,421**				

Note:

(1) The average life of the LAIF portfolio as of June 30, 2012 is 268 days.

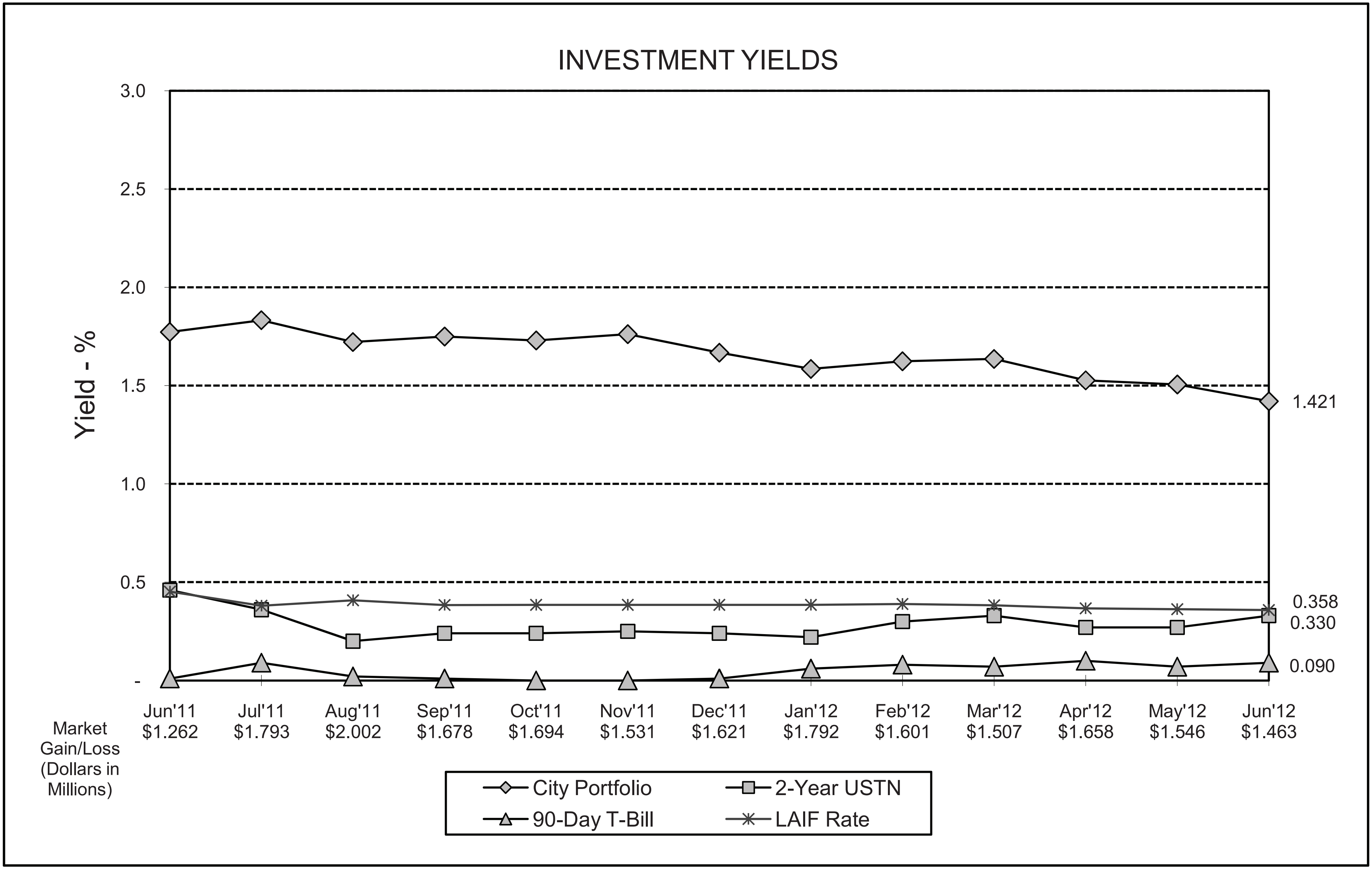
CITY OF SANTA BARBARA
Investment Portfolio
June 30, 2012

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
LOCAL AGENCY INVESTMENT FUNDS											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	0.358	0.358	45,000,000.00	45,000,000.00	45,000,000.00	0.00	
LOCAL AGENCY INV FUND/RDAS	-	-	-	-	0.358	0.358	9,000,000.00	9,000,000.00	9,000,000.00	0.00	
Subtotal, LAIF							54,000,000.00	54,000,000.00	54,000,000.00	0.00	
CERTIFICATES OF DEPOSIT											
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	
Subtotal, Certificates of deposit							2,000,000.00	2,000,000.00	2,000,000.00	0.00	
FEDERAL AGENCY ISSUES - COUPON											
FEDERAL FARM CREDIT BANK	02/10/11	02/10/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,033,940.00	33,940.00	
FEDERAL FARM CREDIT BANK	03/01/12	03/01/17	Aaa	AA+	1.260	1.260	2,000,000.00	2,000,000.00	2,006,800.00	6,800.00	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	2,031,460.00	31,460.00	
FEDERAL FARM CREDIT BANK	05/08/09	04/08/13	Aaa	AA+	2.200	2.200	2,000,000.00	2,000,000.00	2,029,580.00	29,580.00	
FEDERAL FARM CREDIT BANK	02/16/11	02/16/16	Aaa	AA+	2.570	2.570	2,000,000.00	2,000,000.00	2,135,980.00	135,980.00	
FEDERAL HOME LOAN BANK	04/15/10	10/15/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,043,980.00	43,980.00	
FEDERAL HOME LOAN BANK	08/05/10	09/12/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,042,220.00	42,220.00	
FEDERAL HOME LOAN BANK	09/17/09	12/13/13	Aaa	AA+	3.125	2.440	2,000,000.00	2,018,747.62	2,081,260.00	62,512.38	
FEDERAL HOME LOAN BANK	01/15/10	10/30/12	Aaa	AA+	1.700	1.700	2,000,000.00	2,000,000.00	2,010,320.00	10,320.00	
FEDERAL HOME LOAN BANK	04/05/10	11/29/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,047,660.00	47,660.00	
FEDERAL HOME LOAN BANK	06/29/10	10/29/12	Aaa	AA+	1.125	1.125	2,000,000.00	2,000,000.00	2,006,500.00	6,500.00	
FEDERAL HOME LOAN BANK	05/28/10	05/28/15	Aaa	AA+	2.000	2.653	2,000,000.00	2,000,000.00	2,013,040.00	13,040.00	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	1,007,140.82	1,008,400.00	1,259.18	
FEDERAL HOME LOAN BANK	09/17/09	09/13/13	Aaa	AA+	4.375	2.272	2,000,000.00	2,047,989.30	2,097,960.00	49,970.70	
FEDERAL HOME LOAN BANK	02/22/10	12/13/13	Aaa	AA+	3.125	2.130	2,000,000.00	2,027,558.25	2,081,260.00	53,701.75	
FEDERAL HOME LOAN BANK	02/09/11	01/29/15	Aaa	AA+	1.750	1.750	2,000,000.00	2,000,000.00	2,065,620.00	65,620.00	
FEDERAL HOME LOAN BANK	04/15/11	05/27/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,085,640.00	85,640.00	
FEDERAL HOME LOAN BANK	09/26/11	10/30/13	Aaa	AA+	2.000	0.400	1,500,000.00	1,531,770.28	1,533,930.00	2,159.72	
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	2,001,220.00	1,220.00	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	2,003,860.00	3,860.00	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	2,001,836.07	2,008,780.00	6,943.93	
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	2,033,680.00	33,680.00	
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	2,027,600.00	27,600.00	Callable 03/28/14, once
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	2,004,760.00	4,760.00	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	2,019,840.00	19,840.00	Callable 02/21/14, once
FEDERAL HOME LOAN MTG CORP	04/23/12	04/17/15	Aaa	AA+	0.500	0.534	2,000,000.00	1,998,107.90	2,000,120.00	2,012.10	
FEDERAL HOME LOAN MTG CORP	06/12/12	06/12/17	Aaa	AA+	1.250	1.250	2,000,000.00	2,000,000.00	1,993,400.00	(6,600.00)	Callable 06/12/14, then qtrly
FEDERAL HOME LOAN MTG CORP	05/24/12	05/24/17	Aaa	AA+	1.200	1.200	2,000,000.00	2,000,000.00	1,997,980.00	(2,020.00)	Callable 05/24/13, then qtrly

CITY OF SANTA BARBARA
Investment Portfolio
June 30, 2012

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	06/09/09	08/17/12	Aaa	AA+	1.000	2.420	2,000,000.00	1,996,526.76	2,001,840.00	5,313.24	
FEDERAL HOME LOAN MTG CORP	02/11/11	04/02/14	Aaa	AA+	4.500	1.615	2,000,000.00	2,098,192.75	2,141,360.00	43,167.25	
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	2,000,040.00	40.00	SU 2.25% Callable 07/03/12, then qtrly
FEDERAL HOME LOAN MTG CORP	06/07/12	06/07/17	Aaa	AA+	1.300	1.300	2,000,000.00	2,000,000.00	2,007,180.00	7,180.00	Callable 06/07/13, then qtrly
FEDERAL NATL MORTGAGE ASSN	09/28/11	09/28/16	Aaa	AA+	1.000	1.401	1,000,000.00	999,879.17	1,001,370.00	1,490.83	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	1,999,822.22	2,009,320.00	9,497.78	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	2,006,160.00	6,160.00	SU 2% Callable 12/28/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	10/28/11	10/28/16	Aaa	AA+	1.500	1.521	2,000,000.00	1,998,675.00	2,024,200.00	25,525.00	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	1,999,433.33	2,007,220.00	7,786.67	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	1,999,718.33	2,003,520.00	3,801.67	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	2,041,720.00	41,720.00	
FEDERAL NATL MORTGAGE ASSN	06/27/11	06/27/16	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,026,320.00	26,320.00	Callable 06/27/13, once
FEDERAL NATL MORTGAGE ASSN	04/12/12	04/12/17	Aaa	AA+	1.400	1.400	2,000,000.00	2,000,000.00	2,012,840.00	12,840.00	Callable 04/12/13, then qtrly
FEDERAL NATL MORTGAGE ASSN	12/28/11	12/28/16	Aaa	AA+	1.625	1.625	2,000,000.00	2,000,000.00	2,011,080.00	11,080.00	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	2,010,320.00	10,320.00	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	2,090,820.00	90,820.00	
FEDERAL NATL MORTGAGE ASSN	12/10/10	10/26/15	Aaa	AA+	1.625	2.067	2,000,000.00	1,972,207.40	2,073,300.00	101,092.60	
FEDERAL NATL MORTGAGE ASSN	04/18/11	04/18/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,032,100.00	32,100.00	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	2,009,160.00	9,160.00	Callable 01/30/13, then qtrly
FEDERAL NATL MORTGAGE ASSN	04/24/12	04/24/17	Aaa	AA+	1.500	1.500	2,000,000.00	2,000,000.00	2,007,020.00	7,020.00	Callable 10/24/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	06/01/12	05/29/15	Aaa	AA+	0.650	0.650	2,000,000.00	2,000,000.00	1,999,400.00	(600.00)	Callable 05/29/13, once
Subtotal, Federal Agencies							95,500,000.00	95,697,605.20	96,963,080.00	1,265,474.80	
CORPORATE/MEDIUM TERM NOTES											
BERKSHIRE HATHAWAY FIN	12/15/10	12/15/15	Aa2	AA+	2.450	2.530	2,000,000.00	1,994,816.67	2,087,280.00	92,463.33	
GENERAL ELECTRIC CAPITAL CORP	11/10/10	11/09/15	A1	AA+	2.250	2.250	2,000,000.00	2,000,000.00	2,040,580.00	40,580.00	
GENERAL ELECTRIC CAPITAL CORP	01/07/11	01/07/14	A1	AA+	2.100	2.100	2,000,000.00	2,000,000.00	2,031,100.00	31,100.00	
PROCTOR & GAMBLE	09/20/11	11/15/15	Aa3	AA-	1.800	1.085	2,000,000.00	2,047,017.12	2,064,580.00	17,562.88	
TOYOTA MOTOR CREDIT	09/26/11	09/15/16	Aa3	AA-	2.000	1.800	2,000,000.00	2,016,011.67	2,032,220.00	16,208.33	
Subtotal, Corporate Securities							10,000,000.00	10,057,845.46	10,255,760.00	197,914.54	
SB AIRPORT PROMISSORY NOTE (LT)											
SANTA BARBARA AIRPORT	07/14/09	06/30/29	-	-	7.000	7.000	5,789,184.34	5,789,184.34	5,789,184.34	0.00	
Subtotal, SBA Note							5,789,184.34	5,789,184.34	5,789,184.34	0.00	
TOTALS							167,289,184.34	167,544,635.00	169,008,024.34	1,463,389.34	

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
Yield - %
3.0
2.5
2.0
1.5
1.0
0.5
-
1.421
0.358
0.330
0.090
Jun'11 $1.262
Jul'11 $1.793
Aug'11 $2.002
Sep'11 $1.678
Oct'11 $1.694
Nov'11 $1.531
Dec'11 $1.621
Jan'12 $1.792
Feb'12 $1.601
Mar'12 $1.507
Apr'12 $1.658
May'12 $1.546
Jun'12 $1.463
Market Gain/Loss (Dollars in Millions)
City Portfolio
2-Year USTN
90-Day T-Bill
LAIF Rate

CITY OF SANTA BARBARA
Fiscal Agent Investments
June 30, 2012

	CASH & CASH EQUIVALENTS	Guaranteed Investment Contracts (GIC)	STOCKS		BONDS		US GOVT & AGENCIES		TOTALS	
	Book & Market	Book & Market	Book	Market	Book	Market	Book	Market	Book	Market
BOND FUNDS										
RESERVE FUNDS										
2004 RDA - Housing Bonds	572,708.75	-	-	-	-	-	-	-	572,708.75	572,708.75
2002 Municipal Improvement - Refunding COPs	13,680.11	547,530.00	-	-	-	-	-	-	561,210.11	561,210.11
2002 Water - Refunding COPs	23,940.41	1,088,268.76	-	-	-	-	-	-	1,112,209.17	1,112,209.17
1994 Water - Revenue Bonds	19,917.13	757,680.00	-	-	-	-	-	-	777,597.13	777,597.13
2002 Waterfront - Reference COPs	1,012.41	1,393,262.50	-	-	-	-	-	-	1,394,274.91	1,394,274.91
1992 Seismic - Safety Bonds	-	-	-	-	-	-	-	-	-	-
Subtotal, Reserve Funds	631,258.81	3,786,741.26	-	-	-	-	-	-	4,418,000.07	4,418,000.07
PROJECT FUNDS										
2001 RDA Bonds	2,365,918.55	-	-	-	-	-	-	-	2,365,918.55	2,365,918.55
2003 RDA Bonds	8,505,538.06	-	-	-	-	-	-	-	8,505,538.06	8,505,538.06
2004 Sewer Revenue Bonds	1,949,260.77	1,357,140.00	-	-	-	-	-	-	3,306,400.77	3,306,400.77
2009 Airport Bonds	3,706,097.93	-	-	-	-	-	3,100,268.78	3,100,268.78	6,806,366.71	6,806,366.71
Subtotal, Project Funds	16,526,815.31	1,357,140.00	-	-	-	-	3,100,268.78	3,100,268.78	20,984,224.09	20,984,224.09
Subtotal Bond Funds	17,158,074.12	5,143,881.26	-	-	-	-	3,100,268.78	3,100,268.78	25,402,224.16	25,402,224.16
POLICE/FIRE - SVC RETIREMENT FUND										
Police/Fire Funds	41,813.21	-	233,786.06	296,715.81	266,802.62	266,244.85	-	-	542,401.89	604,773.87
	41,813.21	-	233,786.06	296,715.81	266,802.62	266,244.85	-	-	542,401.89	604,773.87
TOTAL FISCAL AGENT INVESTMENTS	17,199,887.33	5,143,881.26	233,786.06	296,715.81	266,802.62	266,244.85	3,100,268.78	3,100,268.78	25,944,626.05	26,006,998.03

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

Attachment # 2