



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 25, 2011

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: September 30, 2011, Investment Report And September 30, 2011, Fiscal Agent Report

RECOMMENDATION: That Council:

- A. Accept the September 30, 2011, Investment Report; and
- B. Accept the September 30, 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 July through September 2011.

Financial markets experienced a number of shocks during the third quarter, resulting in investor sell-off and the worst market performance since the first quarter of 2009. The Dow Jones Industrial Average (DJIA) index, which measures stocks from 30 industrial "blue-chip" companies, declined 11.49 percent from the previous quarter; the S&P 500, composed of 500 "large-cap" companies across various sectors, was down 13.87 percent; and NASDAQ, which largely measures technology stocks, was lower by 12.91 percent.

Early in the quarter, investor confidence was shaken due to economic data indicating a slowing of the domestic economy and concerns over the U.S. debt ceiling limit and the federal budget deficit. As the quarter progressed, investor concerns shifted overseas as the European debt crisis worsened potentially to include Italy and Spain, and a Greek default on debt payments seemed imminent. Investors sold stock holdings and sought less risky investments as concerns of a double-dip recession rose once again.

At its September meeting, the Federal Reserve Bank's Open Market Committee (FOMC) acknowledged the soft economic recovery, continuing high unemployment levels, and "significant downside risks to the economic outlook, including strains in

global financial markets”. It also noted that inflation has moderated from earlier in the year as energy and some commodity prices have declined from their peaks and is expected to remain at or below the Fed target rate of 2 percent.

In light of the soft economic conditions and stable inflation forecasts, and reiterating its statutory mandate to foster maximum employment and price stability, the Committee announced it would continue economic stimulus efforts by manipulating investment yields, rather than using monetary policy as it had in its previous quantitative easing programs. Dubbed “Operation Twist”, the Committee announced that it would extend the average maturity of \$400 billion in securities holdings to lower longer term Treasury yields, encouraging investors to take on riskier assets, lower the cost of borrowing, and stimulate consumer spending.

Again this quarter, the committee maintained the current federal funds rate at a target range of 0-1/4 percent and stated that the exceptionally low levels would likely continue at least through mid-2013.

Treasury note yields were lower by the end of the quarter. As shown in the table to the right, the change in Treasury yields ranged from a decrease of 8 basis points on the 1-year Treasury note to a decrease of 81 basis points on the 5-year Treasury

U.S. Treasury Market					
	6/30/2011	7/31/2011	8/31/2011	9/30/2011	Cumulative Change
3 Month	0.01%	0.09%	0.02%	0.01%	0.00%
6 Month	0.10%	0.16%	0.04%	0.05%	-0.05%
1 Year	0.18%	0.20%	0.10%	0.10%	-0.08%
2 Year	0.46%	0.36%	0.20%	0.24%	-0.22%
3 Year	0.80%	0.54%	0.32%	0.40%	-0.40%
4 Year	1.28%	0.95%	0.64%	0.68%	-0.60%
5 Year	1.76%	1.36%	0.96%	0.95%	-0.81%
10 Year	3.16%	2.80%	2.22%	1.92%	-1.24%
30 Year	4.39%	4.12%	3.60%	2.91%	-1.48%
LAIF	0.48%	0.38%	0.38%	0.38%	-0.10%

note. With the slow recovery and implementation of “Operation Twist”, investors continued to demand the safety of Treasury investments, keeping prices high and driving yields lower.

Investment Activity

As shown in the table on the next page, the City invested \$18.5 million during the quarter. The purchases consisted of:

- \$10 million in “AAA” rated Federal Agency callable securities;
- \$2.5 million in “AAA” rated Federal Agency bullets, which are non-callable securities that will be held to final maturity;
- \$2 million in a “AAA” rated corporate note (Harvard College); and,
- \$4 million in “AA-” rated corporate notes (Proctor & Gamble and Toyota Motor Credit).

Council Agenda Report

September 30, 2011, Investment Report And September 30, 2011, Fiscal Agent Report

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During the quarter, \$21.495 million of Federal Agency securities were called and there were no maturities.

The “AAA” rating for the purchases cited above is shown as the overall composite rating for the purchased federal agency debt. Note that in early August, Standard & Poor’s lowered the credit rating of long-term U.S. debt to “AA+” (one step below the highest “AAA” rating), citing concerns about the bi-partisan divide in Washington over the debt ceiling limit and the federal budget deficit. This is the first time that the credit rating of U.S. debt dipped below the highest “AAA” rating. Despite the political controversy, Moody’s and Fitch maintained their “AAA” rating of U.S. debt, although Moody’s changed its outlook of U.S. debt to “negative”. Regardless, the federal agency debt purchased into the City’s investment portfolio during the quarter remains well within the allowable investing parameters under state law and the city’s own Investment Policy guidelines of “A” or better.

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	07/05/11	07/05/16	01/05/12	2.200%	2.200%
Pres & Fellows of Harvard College (HARVRD)	2,000,000	07/12/11	01/15/14	-	-	1.000%
Federal National Mortgage Association (FNMA)	1,000,000	07/19/11	07/19/16	01/19/12	1.900%	2.106%
Proctor & Gamble (PGAMBL)	2,000,000	09/20/11	11/15/15	-	-	1.085%
Toyota Motor Credit (TOYOTA)	2,000,000	09/26/11	09/15/16	-	-	1.800%
Federal Home Loan Bank (FHLB)	1,500,000	09/26/11	10/30/13	-	-	0.400%
Federal Home Loan Bank (FHLB)	1,000,000	09/26/11	08/28/13	-	-	0.381%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	09/27/11	09/27/16	12/27/11	1.550%	1.550%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	09/28/11	09/28/16	09/28/12	1.400%	1.400%
Federal National Mortgage Association (FNMA)	2,000,000	09/28/11	09/28/16	03/28/12	1.300%	1.475%
Federal National Mortgage Association (FNMA)	1,000,000	09/28/11	09/28/16	09/28/12	1.050%	1.401%
	18,500,000					
<i>Calls:</i>						
Federal National Mortgage Association (FNMA)	2,000,000	07/07/10	07/07/15	07/07/11	2.350%	2.350%
Federal Home Loan Bank (FHLB)	2,000,000	07/14/10	07/14/15	07/14/11	2.000%	2.336%
Federal Home Loan Bank (FHLB)	2,000,000	12/28/10	07/28/14	07/28/11	0.650%	1.816%
Federal National Mortgage Association (FNMA)	2,000,000	08/05/10	08/05/15	08/05/11	2.125%	2.125%
Federal Home Loan Bank (FHLB)	1,995,000	06/15/11	06/15/16	08/15/11	2.500%	2.500%
Federal Home Loan Mortgage Corp (FHLMC)	1,500,000	02/22/11	08/22/14	08/22/11	1.700%	1.700%
Federal Home Loan Bank (FHLB)	2,000,000	05/25/11	11/25/15	08/25/11	1.000%	2.555%
Federal Home Loan Bank (FHLB)	2,000,000	05/26/11	05/26/16	08/26/11	1.250%	2.421%
Federal National Mortgage Association (FNMA)	2,000,000	09/09/10	09/09/15	09/09/11	1.951%	1.871%
Federal Home Loan Bank (FHLB)	2,000,000	06/30/11	06/30/16	09/30/11	2.110%	2.110%
Federal Home Loan Bank (FHLB)	2,000,000	06/30/11	06/30/16	09/30/11	2.200%	2.200%
	21,495,000					
<i>Maturities:</i>						
	0					
	0					

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 1.379 percent, or 81.2 basis points lower than the 2.191 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 147.2 basis points lower each quarter, compared to 81.2 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 September 30, 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 2.3 basis points from 1.773 percent at June 30, 2011 to 1.750 percent at September 30, 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 1 day from 1,047 to 1,046 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 838 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.

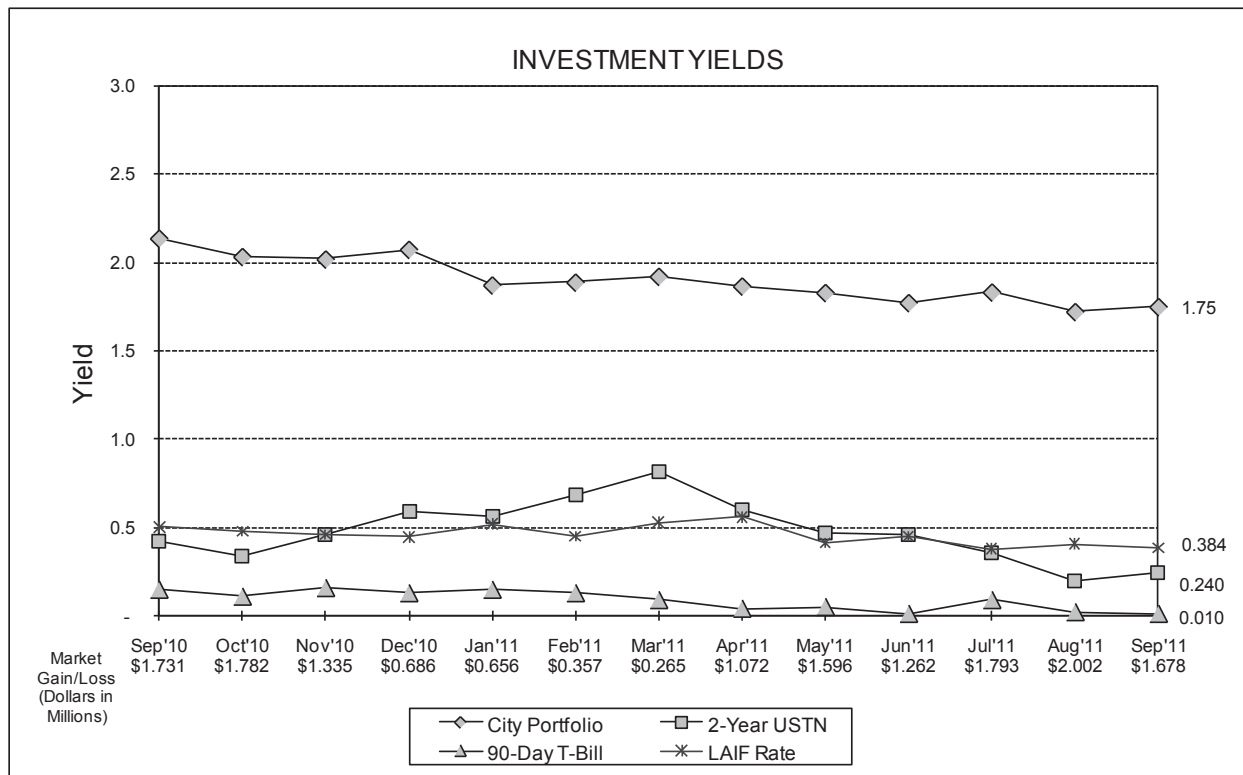
Mo. Ended	Yield	Days to Maturity
6/30/2011	1.773%	1,047
7/31/2011	1.833%	1,098
8/31/2011	1.722%	979
9/30/2011	1.750%	1,046

Credit Quality on Corporate Notes

Over the quarter ended September 30, 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 on the Investment Yields table 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 September 30, 2011, the overall portfolio had an unrealized market gain of \$1.678 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.

Issuer	Face Amount	Maturity	\$ Mkt Change	% Mkt Change
TOYOTA MOTOR CREDIT	\$2,000,000	09/15/16	-\$28,027	-1.39%
GENERAL ELECTRIC CAPITAL CORP	\$2,000,000	11/09/15	-\$23,060	-1.15%
FEDERAL NATL MORTGAGE ASSN	\$1,000,000	09/28/16	-\$8,044	-0.80%
FEDERAL HOME LOAN MTG CORP	\$2,000,000	09/28/16	-\$9,420	-0.47%
FEDERAL HOME LOAN MTG CORP	\$2,000,000	09/27/16	-\$8,140	-0.41%

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 two securities with a market decline of greater than 1 percent compared to the prior month.

Issuer	Face Amount	Maturity	Aug-Sep Mkt Change (\$)	Aug-Sep Mkt Change (%)	% Mkt Gain/(Loss) at 09.30.11
GENERAL ELECTRIC CAPITAL CORP	\$2,000,000	11/09/15	-\$34,720	-1.73%	-1.15%
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	09/21/15	-\$23,960	-1.14%	3.49%

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of September 30, 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 September 30, 2011.

- ATTACHMENTS:**
1. September 30, 2011, Investment Report
 2. September 30, 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
September 30, 2011

INVESTMENT ACTIVITY

PURCHASES OR DEPOSITS

9/1 LAIF Deposit - City	\$ 2,000,000
9/7 LAIF Deposit - City	1,000,000
9/20 Proctor & Gamble (PGAMBL)	2,000,000
9/26 Toyota Motor Credit (TOYOTA)	2,000,000
9/26 Federal Home Loan Bank (FHLB)	1,500,000
9/26 Federal Home Loan Bank (FHLB)	1,000,000
9/27 Federal Home Loan Mortgage Corp (FHLMC)	2,000,000
9/28 Federal Home Loan Mortgage Corp (FHLMC)	2,000,000
9/28 Federal National Mortgage Association (FNMA)	2,000,000
9/28 Federal National Mortgage Association (FNMA)	1,000,000

Total \$ 16,500,000

SALES, MATURITIES, CALLS OR WITHDRAWALS

9/9 Federal National Mortgage Association (FNMA) - Call	\$ (2,000,000)
9/21 LAIF Withdrawal - City	(2,000,000)
9/23 LAIF Withdrawal - City	(4,500,000)
9/26 LAIF Withdrawal - City	(2,000,000)
9/27 LAIF Withdrawal - City	(4,500,000)
9/29 LAIF Withdrawal - City	(500,000)
9/30 Federal Home Loan Bank (FHLB) - Call	(2,000,000)
9/30 Federal Home Loan Bank (FHLB) - Call	(2,000,000)

Total \$ (19,500,000)

ACTIVITY TOTAL

\$ (3,000,000)

INTEREST REVENUE

POOLED INVESTMENTS

Interest Earned on Investments	\$ 248,205
Amortization	(16,664)
Interest on SBB&T Accounts	210
Total	<u><u>\$ 231,751</u></u>

TOTAL INTEREST EARNED

\$ 231,751

CITY OF SANTA BARBARA
Summary of Cash and Investments
September 30, 2011

ENDING BALANCE AS OF AUGUST 31, 2011

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 47,000,000	0.408%	28.55%	1
Certificates of Deposit	2,000,000	1.750%	1.21%	78
Federal Agency Issues - Coupon	101,467,556	2.001%	61.64%	1,107
Corporate/Medium Term Notes	8,180,520	1.947%	4.97%	1,197
	<u>158,648,075</u>	<u>1.523%</u>	<u>96.37%</u>	<u>771</u>
SB Airport Promissory Note	5,962,504	7.000%	3.62%	6,512
Totals and Averages	<u>\$ 164,610,579</u>	<u>1.722%</u>	<u>100.00%</u>	<u>979</u>
SBB&T Money Market Account	4,103,972			
Total Cash and Investments	<u>\$ 168,714,551</u>			

NET CASH AND INVESTMENT ACTIVITY FOR SEPTEMBER 2011 **\$ (1,235,682)**

ENDING BALANCE AS OF SEPTEMBER 30, 2011

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 36,500,000	0.384%	22.57%	1 (1)
Certificates of Deposit	2,000,000	1.750%	1.24%	48
Federal Agency Issues - Coupon	105,019,173	1.923%	64.93%	1,086
Corporate/Medium Term Notes	12,250,419	1.779%	7.57%	1,331
	<u>155,769,591</u>	<u>1.549%</u>	<u>96.31%</u>	<u>838</u>
SB Airport Promissory Note	5,962,504	7.000%	3.69%	6,482
Totals and Averages	<u>\$ 161,732,095</u>	<u>1.750%</u>	<u>100.00%</u>	<u>1,046</u>
SBB&T Money Market Account	5,746,774			
Total Cash and Investments	<u>\$ 167,478,869</u>			

Note:

(1) The average life of the LAIF portfolio as of September 30, 2011 is 236 days.

CITY OF SANTA BARBARA
Investment Portfolio
September 30, 2011

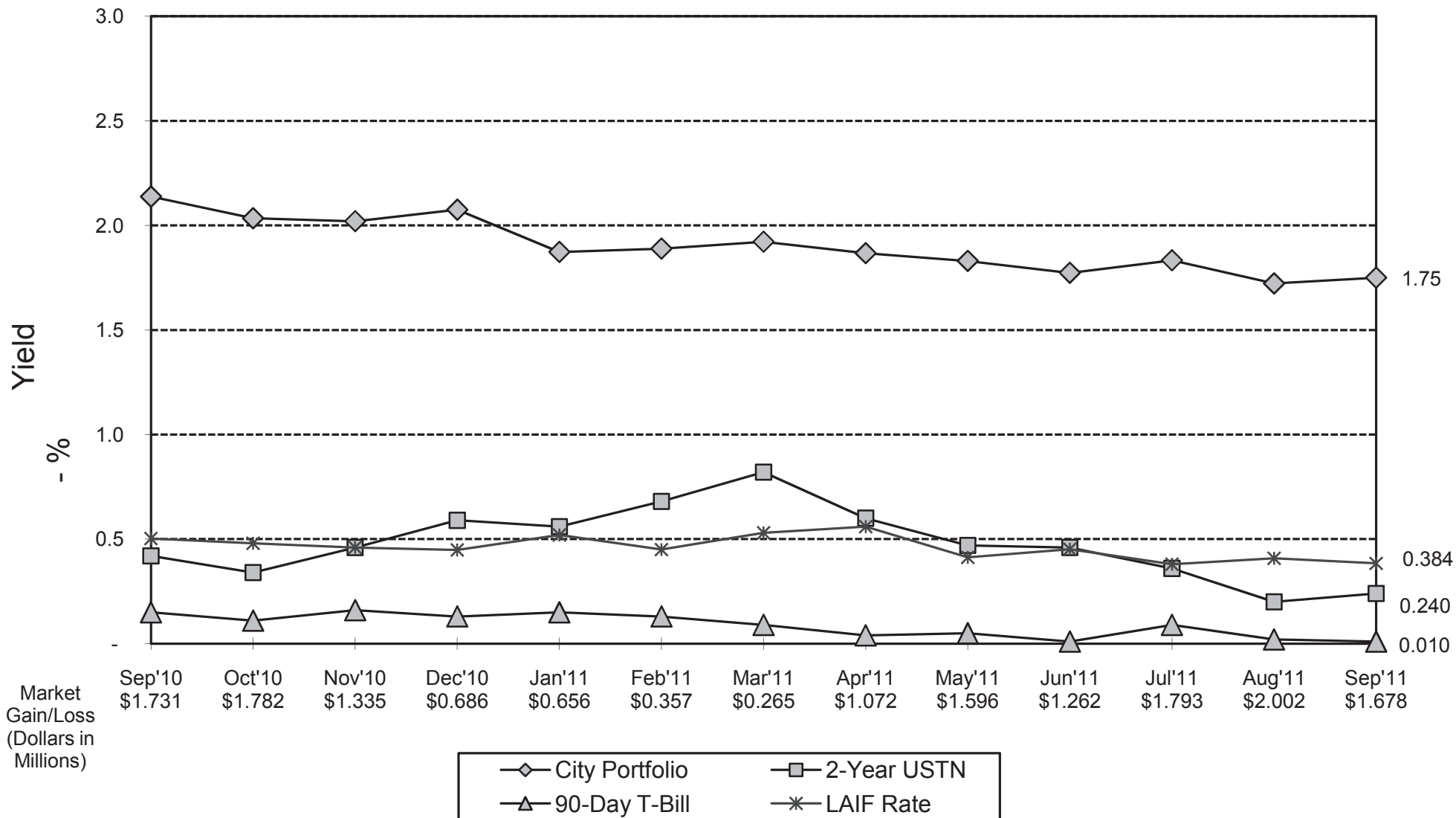
DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING		STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
			MOODY'S	S & P							
LOCAL AGENCY INVESTMENT FUNDS											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	0.384	0.384	36,500,000.00	36,500,000.00	36,500,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	0.384	0.384	0.00	0.00	0.00	0.00	
Subtotal, LAIF							36,500,000.00	36,500,000.00	36,500,000.00	0.00	
CERTIFICATES OF DEPOSIT											
MONTECITO BANK & TRUST	11/18/09	11/18/11	-	-	1.750	1.750	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	03/06/09	04/24/12	Aaa	AA+	2.250	2.120	2,000,000.00	2,001,414.52	2,022,240.00	20,825.48	
FEDERAL FARM CREDIT BANK	10/28/10	10/28/15	Aaa	AA+	1.540	1.540	2,000,000.00	2,000,000.00	2,002,120.00	2,120.00	Callable 10/28/11, then cont.
FEDERAL FARM CREDIT BANK	12/10/10	12/08/14	Aaa	AA+	1.500	1.662	2,000,000.00	1,997,660.61	2,003,220.00	5,559.39	Callable 12/08/11, then cont.
FEDERAL FARM CREDIT BANK	02/02/11	02/02/15	Aaa	AA+	2.000	2.000	1,500,000.00	1,500,000.00	1,506,450.00	6,450.00	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	2,040,760.00	40,760.00	
FEDERAL FARM CREDIT BANK	03/09/11	03/09/16	Aaa	AA+	2.600	2.621	2,000,000.00	1,999,122.22	2,020,580.00	21,457.78	Callable 03/09/12, then cont.
FEDERAL FARM CREDIT BANK	12/15/10	12/15/15	Aaa	AA+	2.480	2.480	2,000,000.00	2,000,000.00	2,008,440.00	8,440.00	Callable 12/15/11, 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	2,011,060.00	11,060.00	
FEDERAL FARM CREDIT BANK	03/05/09	03/04/13	Aaa	AA+	2.600	2.600	2,000,000.00	2,000,000.00	2,063,160.00	63,160.00	
FEDERAL FARM CREDIT BANK	05/08/09	04/08/13	Aaa	AA+	2.200	2.200	2,000,000.00	2,000,000.00	2,054,700.00	54,700.00	
FEDERAL FARM CREDIT BANK	06/19/09	06/18/12	Aaa	AA+	2.125	2.125	2,000,000.00	2,000,000.00	2,026,300.00	26,300.00	
FEDERAL FARM CREDIT BANK	09/30/09	10/03/11	Aaa	AA+	1.125	1.125	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
FEDERAL FARM CREDIT BANK	04/30/10	04/09/15	Aaa	AA+	2.900	2.916	2,000,000.00	1,999,591.19	2,019,700.00	20,108.81	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	2,019,640.00	19,640.00	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	2,122,560.00	122,560.00	
FEDERAL HOME LOAN BANK	06/30/11	06/30/16	Aaa	AA+	1.300	2.297	2,000,000.00	2,000,000.00	2,003,860.00	3,860.00	SU 3% Callable 12/30/11, then qtrly
FEDERAL HOME LOAN BANK	03/04/09	06/08/12	Aaa	AA+	4.375	2.110	1,700,000.00	1,725,390.72	1,747,719.00	22,328.28	
FEDERAL HOME LOAN BANK	04/15/10	10/15/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,064,080.00	64,080.00	
FEDERAL HOME LOAN BANK	08/05/10	09/12/14	Aaa	AA+	1.375	1.375	2,000,000.00	2,000,000.00	2,043,100.00	43,100.00	
FEDERAL HOME LOAN BANK	09/17/09	12/13/13	Aaa	AA+	3.125	2.440	2,000,000.00	2,028,444.66	2,116,340.00	87,895.34	
FEDERAL HOME LOAN BANK	01/15/10	10/30/12	Aaa	AA+	1.700	1.700	2,000,000.00	2,000,000.00	2,030,540.00	30,540.00	
FEDERAL HOME LOAN BANK	04/05/10	11/29/13	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,066,520.00	66,520.00	
FEDERAL HOME LOAN BANK	06/29/10	10/29/12	Aaa	AA+	1.125	1.125	2,000,000.00	2,000,000.00	2,018,160.00	18,160.00	
FEDERAL HOME LOAN BANK	05/28/10	05/28/15	Aaa	AA+	2.000	2.653	2,000,000.00	2,000,000.00	2,037,200.00	37,200.00	SU 3.35%, Callable 11/28/12, once
FEDERAL HOME LOAN BANK	06/30/10	06/30/14	Aaa	AA+	1.125	2.277	2,000,000.00	2,000,000.00	2,001,880.00	1,880.00	SU 3% Callable 12/30/11, once
FEDERAL HOME LOAN BANK	09/26/11	08/28/13	Aaa	AA+	1.000	0.381	1,000,000.00	1,011,764.38	1,011,470.00	(294.38)	
FEDERAL HOME LOAN BANK	09/17/09	09/13/13	Aaa	AA+	4.375	2.272	2,000,000.00	2,077,982.62	2,153,880.00	75,897.38	
FEDERAL HOME LOAN BANK	02/22/10	12/13/13	Aaa	AA+	3.125	2.130	2,000,000.00	2,041,812.52	2,116,340.00	74,527.48	
FEDERAL HOME LOAN BANK	03/26/10	06/08/12	Aaa	AA+	1.375	1.325	2,000,000.00	2,000,673.64	2,015,360.00	14,686.36	
FEDERAL HOME LOAN BANK	02/09/11	01/29/15	Aaa	AA+	1.750	1.750	2,000,000.00	2,000,000.00	2,065,420.00	65,420.00	
FEDERAL HOME LOAN BANK	04/15/11	05/27/15	Aaa	AA+	2.000	2.000	2,000,000.00	2,000,000.00	2,082,140.00	82,140.00	
FEDERAL HOME LOAN BANK	09/26/11	10/30/13	Aaa	AA+	2.000	0.400	1,500,000.00	1,549,678.37	1,548,705.00	(973.37)	

CITY OF SANTA BARBARA
Investment Portfolio
September 30, 2011

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
FEDERAL HOME LOAN MTG CORP	09/03/09	09/21/12	Aaa	AA+	2.125	1.699	2,000,000.00	2,008,032.79	2,035,960.00	27,927.21	
FEDERAL HOME LOAN MTG CORP	11/23/10	11/23/15	Aaa	AA+	1.750	1.845	2,000,000.00	1,998,700.00	2,003,960.00	5,260.00	Callable 11/23/11, once
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	2,041,720.00	41,720.00	
FEDERAL HOME LOAN MTG CORP	09/27/11	09/27/16	Aaa	AA+	1.550	1.550	2,000,000.00	2,000,000.00	1,991,860.00	(8,140.00)	Callable 12/27/11, then qtrly
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	1,990,580.00	(9,420.00)	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	1,976,140.35	2,010,620.00	34,479.65	
FEDERAL HOME LOAN MTG CORP	03/26/10	04/25/12	Aaa	AA+	1.125	1.197	1,000,000.00	999,596.90	1,004,890.00	5,293.10	
FEDERAL HOME LOAN MTG CORP	02/11/11	04/02/14	Aaa	AA+	4.500	1.615	2,000,000.00	2,140,208.66	2,191,420.00	51,211.34	
FEDERAL NATL MORTGAGE ASSN	09/28/11	09/28/16	Aaa	AA+	1.000	1.401	1,000,000.00	999,504.17	991,460.00	(8,044.17)	SU 1%-3%, Call 09/28/12, 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	2,017,900.00	17,900.00	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	2,020,640.00	20,640.00	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	2,008,300.00	8,300.00	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	1,004,540.00	4,540.00	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	1,998,680.00	(1,320.00)	SU 1.3%-2.25%, Call 03/28/12, then qtrly
FEDERAL NATL MORTGAGE ASSN	08/10/10	08/10/15	Aaa	AA+	2.000	2.055	2,000,000.00	1,997,768.33	2,029,040.00	31,271.67	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	2,037,040.00	37,040.00	
FEDERAL NATL MORTGAGE ASSN	12/28/10	12/28/15	Aaa	AA+	2.000	2.011	2,000,000.00	1,999,758.33	2,007,040.00	7,281.67	Callable 12/28/11, once
FEDERAL NATL MORTGAGE ASSN	04/11/11	04/11/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,022,060.00	22,060.00	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	2,027,960.00	27,960.00	Callable 06/27/13, 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	2,069,820.00	69,820.00	
FEDERAL NATL MORTGAGE ASSN	12/10/10	10/26/15	Aaa	AA+	1.625	2.067	2,000,000.00	1,965,927.90	2,053,000.00	87,072.10	
FEDERAL NATL MORTGAGE ASSN	04/18/11	04/18/16	Aaa	AA+	2.500	2.500	2,000,000.00	2,000,000.00	2,057,080.00	57,080.00	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	2,008,440.00	8,440.00	Callable 03/29/12, once
Subtotal, Federal Agencies							104,700,000.00	105,019,172.88	106,667,654.00	1,648,481.12	
CORPORATE/MEDIUM TERM NOTES											
BERKSHIRE HATHAWAY FIN	12/15/10	12/15/15	Aa2	AA+	2.450	2.530	2,000,000.00	1,993,691.67	2,049,160.00	55,468.33	
GENERAL ELECTRIC CAPITAL CORP	11/10/10	11/09/15	Aa2	AA+	2.250	2.250	2,000,000.00	2,000,000.00	1,976,940.00	(23,060.00)	
GENERAL ELECTRIC CAPITAL CORP	01/07/11	01/07/14	Aa2	AA+	2.100	2.100	2,000,000.00	2,000,000.00	2,011,940.00	11,940.00	
PRES & FELLOWS OF HARVARD COLL	07/12/11	01/15/14	Aaa	AAA	5.000	1.000	2,000,000.00	2,180,385.74	2,198,760.00	18,374.26	
PROCTOR & GAMBLE	09/20/11	11/15/15	Aa3	AA-	1.800	1.085	2,000,000.00	2,057,473.98	2,052,200.00	(5,273.98)	
TOYOTA MOTOR CREDIT	09/26/11	09/15/16	Aa3	AA-	2.000	1.800	2,000,000.00	2,018,867.12	1,990,840.00	(28,027.12)	
Subtotal, Corporate Securities							12,000,000.00	12,250,418.51	12,279,840.00	29,421.49	
SB AIRPORT PROMISSORY NOTE (LT)											
SANTA BARBARA AIRPORT	07/14/09	06/30/29	-	-	7.000	7.000	5,962,504.03	5,962,504.03	5,962,504.03	0.00	
Subtotal, SBA Note							5,962,504.03	5,962,504.03	5,962,504.03	0.00	
TOTALS							161,162,504.03	161,732,095.42	163,409,998.03	1,677,902.61	

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
September 30, 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
BOND FUNDS										
<i>RESERVE FUNDS</i>										
2004 RDA - Housing Bonds	-	-	-	-	-	-	-	-	-	-
2002 Municipal Improvement - Refunding COPs	6,709.27	547,530.00	-	-	-	-	-	-	554,239.27	554,239.27
2002 Water - Refunding COPs	8,833.82	1,088,268.76	-	-	-	-	-	-	1,097,102.58	1,097,102.58
1994 Water - Revenue Bonds	19,914.61	757,680.00	-	-	-	-	-	-	777,594.61	777,594.61
2002 Waterfront - Reference COPs	928,723.43	1,393,262.50	-	-	-	-	-	-	2,321,985.93	2,321,985.93
1992 Seismic - Safety Bonds	87,465.19	-	-	-	-	-	-	-	87,465.19	87,465.19
Subtotal, Reserve Funds	1,051,646.32	3,786,741.26	-	-	-	-	-	-	4,838,387.58	4,838,387.58
<i>PROJECT FUNDS</i>										
2001 RDA Bonds	2,365,740.93	-	-	-	-	-	-	-	2,365,740.93	2,365,740.93
2003 RDA Bonds	10,686,412.10	-	-	-	-	-	-	-	10,686,412.10	10,686,412.10
2004 Sewer Revenue Bonds	2,175,435.89	1,357,140.00	-	-	-	-	-	-	3,532,575.89	3,532,575.89
2009 Airport Bonds	4,046,797.25	-	-	-	-	-	3,100,000.00	3,161,101.00	7,146,797.25	7,207,898.25
Subtotal, Project Funds	19,274,386.17	1,357,140.00	-	-	-	-	3,100,000.00	3,161,101.00	23,731,526.17	23,792,627.17
Subtotal Bond Funds	20,326,032.49	5,143,881.26	-	-	-	-	3,100,000.00	3,161,101.00	28,569,913.75	28,631,014.75
POLICE/FIRE - SVC RETIREMENT FUND										
Police/Fire Funds	66,047.38	-	234,708.75	253,440.96	309,937.05	308,410.95	-	-	610,693.18	627,899.29
	66,047.38	-	234,708.75	253,440.96	309,937.05	308,410.95	-	-	610,693.18	627,899.29
TOTAL FISCAL AGENT INVESTMENTS	<u>20,392,079.87</u>	<u>5,143,881.26</u>	<u>234,708.75</u>	<u>253,440.96</u>	<u>309,937.05</u>	<u>308,410.95</u>	<u>3,100,000.00</u>	<u>3,161,101.00</u>	<u>29,180,606.93</u>	<u>29,258,914.04</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