



Agenda Item No.

File Code No. 260.02

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 19, 2011

**TO:** Mayor and Councilmembers

**FROM:** Treasury Division, Finance Department

**SUBJECT:** June 30, 2011, Investment Report And June 30, 2011, Fiscal Agent Report

**RECOMMENDATION:** That Council:

- A. Accept the June 30, 2011, Investment Report; and
- B. Accept the June 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 April through June 2011.

Financial markets experienced volatility during the second quarter of 2011 due to a slowing of the economic recovery and investor concerns over the global impact of the ongoing European sovereign debt crisis. The Dow Jones Industrial Average (DJIA) index, which measures stocks from 30 industrial "blue-chip" companies, was up 1.42 percent from the previous quarter; the S&P 500, composed of 500 "large-cap" companies across various sectors, was just slightly higher by 0.10 percent; and NASDAQ, which largely measures technology stocks, was slightly lower by 0.27 percent.

At its June meeting, the Federal Reserve Bank's Open Market Committee (FOMC) indicated that the economic recovery is continuing at a slower pace than expected due to the impact of higher food and energy prices on consumer spending, supply constraints after Japan's natural disaster, and a weak jobs market. The committee acknowledged the increase in inflation over the last several months, but expects longer-term inflation to be stable. The Fed's quantitative easing stimulus program (QE2), designed to keep interest rates low, spur economic growth, and return inflation to a target rate of 2 percent, drew to a close at the end of June. However, the impact on markets was minimal as markets had already reacted in anticipation of the end of the

stimulus program. Once again, the committee maintained the current federal funds rate at a target range of 0-1/4 percent “for an extended period” to help spur growth in the economy.

The Consumer Price Index (CPI-U) is a general measure of inflation showing the average change over time in prices of goods and services purchased by households. As of the print date of this report, the June CPI-U figures have not been released by the U.S. Bureau of Labor Statistics. However, in its May 2011 release, the May CPI increased 0.2 percent for the month on a seasonally adjusted basis after an increase of 0.4 percent in April. Increases in the food and other indexes were offset by an overall decline in the energy index. In particular, the gasoline index declined in May for the first time since June 2010. On a non-seasonally adjusted basis, all indexes have grown steadily by an overall 3.6 percent over the past 12 months.

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 9 basis points on the 1-year Treasury note to a decrease of 52 basis points on the 5-year Treasury note. The end

U.S. Treasury Market					
	3/31/2011	4/30/2011	5/31/2011	6/30/2011	Cumulative Change
3 Month	0.09%	0.04%	0.05%	0.01%	-0.08%
6 Month	0.17%	0.09%	0.11%	0.10%	-0.07%
1 Year	0.27%	0.18%	0.16%	0.18%	-0.09%
2 Year	0.82%	0.60%	0.47%	0.46%	-0.36%
3 Year	1.30%	0.99%	0.78%	0.80%	-0.50%
4 Year	1.79%	1.48%	1.24%	1.28%	-0.51%
5 Year	2.28%	1.97%	1.70%	1.76%	-0.52%
10 Year	3.46%	3.29%	3.06%	3.16%	-0.30%
30 Year	4.50%	4.40%	4.22%	4.39%	-0.11%
LAIF	0.51%	0.48%	0.48%	0.48%	-0.03%

of QE2 in June was expected to drive Treasury prices lower and yields higher due to the increased supply of Treasuries in the market. However, at the end of the quarter, investors continued to demand the safety of Treasury investments due to fears of a Greek debt default, thereby, keeping yields low.

### Investment Activity

As shown in the table on the next page, the City invested \$23.995 million during the quarter. The purchases consisted of \$21.995 million in “AAA” rated Federal Agency callable securities and a \$2.0 million “AAA” rated Federal Agency bullet (non-callable security that will be held to final maturity). During the quarter, \$16.0 million of “AAA” rated Federal Agency securities were called and \$4.0 million matured. In addition, the portfolio also received \$82,289 in a semi-annual principal payment on the Airport promissory note at the end of June.

Council Agenda Report  
 June 30, 2011, Investment Report And June 30, 2011, Fiscal Agent Report  
 July 19, 2011  
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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	04/11/11	04/11/16	04/11/12	2.500%	2.500%
Federal Home Loan Bank (FHLB)	2,000,000	04/15/11	05/27/15	-	-	2.000%
Federal National Mortgage Association (FNMA)	2,000,000	04/18/11	04/18/16	04/18/13	2.500%	2.500%
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	06/07/11	03/07/16	06/07/12	2.075%	2.075%
Federal Home Loan Bank (FHLB)	1,995,000	06/15/11	06/15/16	07/15/11	2.500%	2.500%
Federal National Mortgage Association (FNMA)	2,000,000	06/27/11	06/27/16	06/27/13	2.000%	2.000%
Federal National Mortgage Association (FNMA)	2,000,000	06/29/11	12/29/14	03/29/12	1.300%	1.300%
Federal Home Loan Bank (FHLB)	2,000,000	06/30/11	06/30/16	09/30/11	2.200%	2.200%
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	12/30/11	1.300%	2.297%
	23,995,000					
<i>Calls:</i>						
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	04/08/09	04/08/13	04/08/11	2.552%	2.526%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	05/13/09	05/13/13	05/13/11	2.400%	2.400%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	05/19/09	11/19/12	05/19/11	2.170%	2.170%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	12/15/10	12/15/15	06/15/11	2.100%	2.100%
Federal National Mortgage Association (FNMA)	2,000,000	12/15/10	12/15/15	06/15/11	2.000%	2.000%
Federal National Mortgage Association (FNMA)	2,000,000	05/24/10	06/24/13	06/24/11	1.999%	2.000%
Federal Home Loan Bank (FHLB)	2,000,000	06/30/09	06/30/14	06/30/11	2.000%	3.733%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	06/30/10	06/30/15	06/30/11	2.000%	2.914%
	16,000,000					
<i>Maturities:</i>						
Federal Home Loan Bank (FHLB)	2,000,000	05/22/07	06/10/11	-	-	5.005%
Federal Home Loan Bank (FHLB)	2,000,000	05/23/08	06/10/11	-	-	3.520%
Airport Promissory Note - Partial Redemption	82,289	07/14/09	06/30/29	-	-	7.000%
	4,082,289					

The weighted average yield to maturity measures the average yield for securities with varying interest rates to help 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 2.205 percent which was lower than the 2.837 percent on the quarter's called and matured investments. This spread of 63.2 basis points is narrower than in previous quarters as market yields have remained relatively constant at very low levels, and we have replaced the current called investments with investments of similar or slightly lower investment yields. Over the past two years, the weighted average yield spread between the purchases versus called/matured investments averaged 157.7 basis points lower each quarter, compared to 63.2 basis points lower this quarter. This narrowing of the spread indicates that the older, higher yielding securities previously held in the portfolio, purchased before the recession have either been called or matured and are no longer in the portfolio.

The average rate at which the City earned interest at the Local Agency Investment Fund (LAIF), the State's managed investment pool, was 0.48 percent for the quarter ended June 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 14.9 basis points from 1.922 percent at March 31, 2011 to 1.773 percent at June 30, 2011. The book rate of return continues to

Mo. Ended	Yield	Days to Maturity
3/31/2011	1.922%	1,044
4/30/2011	1.867%	996
5/31/2011	1.830%	999
6/30/2011	1.773%	1,047

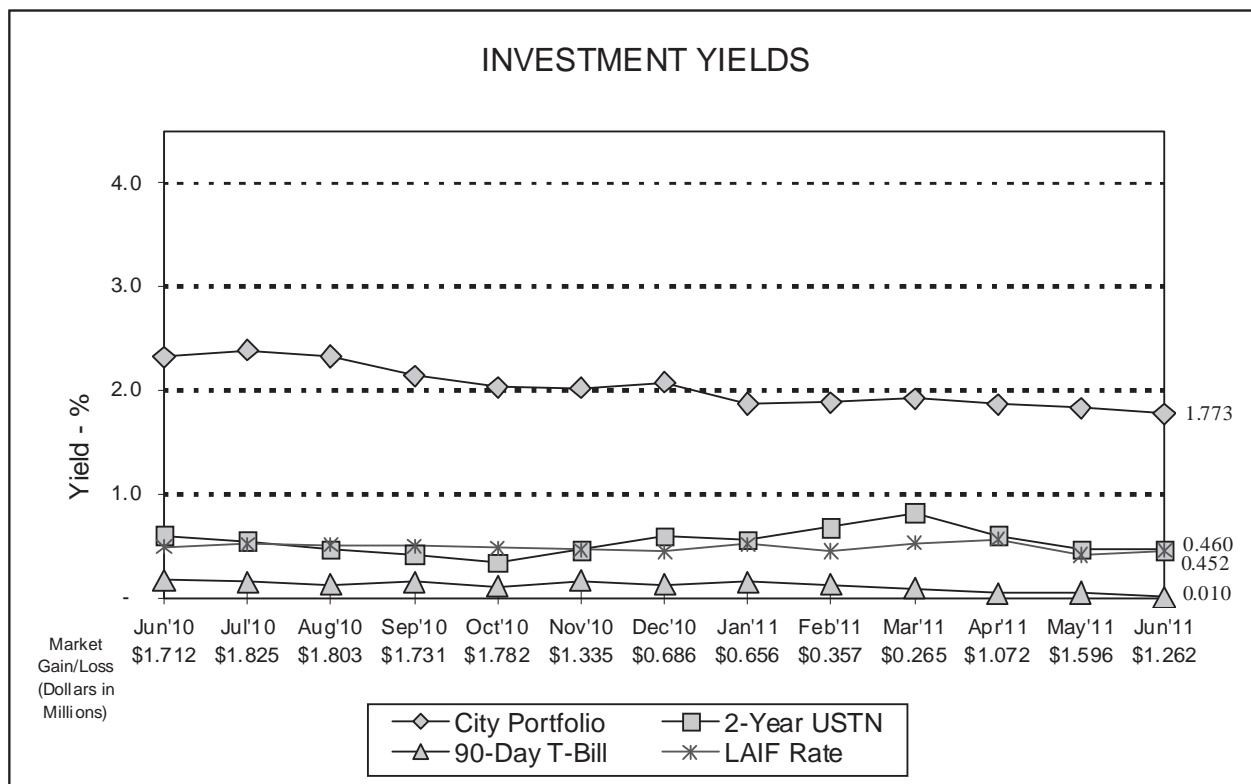
decline through the attrition of overall higher-yielding securities, and reinvestment at lower market rates as discussed previously. The portfolio's average days to maturity increased by 3 days from 1,044 to 1,047 days which includes the long-term Airport promissory note authorized by Council in July 2009. The portfolio's average days to maturity excluding the Airport note is 853 days, reflecting reinvestment of maturities and calls during the quarter in the one to five year range in accordance with the City's Annual Statement of Investment Policy.

### Credit Quality on Corporate Notes

Over the quarter ended June 30, 2011, there were no credit quality changes to the two corporate issuers of the medium-term notes held in the portfolio (i.e., General Electric Capital Corp and Berkshire Hathaway Financial). All ratings 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 June 30, 2011 the overall portfolio had an unrealized market gain of \$1.262 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
GENERAL ELECTRIC CAPITAL CORP	\$2,000,000	11/09/15	-\$34,020	-1.70%
FEDERAL HOME LOAN MTG CORP	\$2,000,000	11/23/15	-\$17,190	-0.86%
FEDERAL HOME LOAN BANK	\$2,000,000	06/30/16	-\$16,880	-0.84%
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	06/27/16	-\$16,400	-0.82%
FEDERAL HOME LOAN BANK	\$2,000,000	06/30/16	-\$15,180	-0.76%

On a quarterly basis, staff also reports all securities with monthly market declines of greater than 1 percent compared to the prior month. There was one security with a market decline of greater than 1 percent compared to the prior month.

Issuer	Face Amount	Maturity	May-Jun Mkt Change (\$)	May-Jun Mkt Change (%)	% Mkt Gain/(Loss) at 06.30.11
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	12/28/15	-\$29,130	-1.44%	-0.57%

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

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

**INVESTMENT ACTIVITY**

**PURCHASES OR DEPOSITS**

6/7 Federal National Mortgage Association (FNMA)	\$ 2,000,000
6/8 LAIF Deposit - City	1,000,000
6/9 LAIF Deposit - City	1,000,000
6/13 LAIF Deposit - City	4,000,000
6/15 Federal Home Loan Bank (FHLB)	1,995,000
6/21 LAIF Deposit - City	16,000,000
6/27 LAIF Deposit - City	1,000,000
6/27 Federal National Mortgage Association (FNMA)	2,000,000
6/29 Federal National Mortgage Association (FNMA)	2,000,000
6/30 Federal Home Loan Bank (FHLB)	2,000,000
6/30 Federal Home Loan Bank (FHLB)	2,000,000
6/30 Federal Home Loan Bank (FHLB)	2,000,000
<b>Total</b>	<b>\$ 36,995,000</b>

**SALES, MATURITIES, CALLS OR WITHDRAWALS**

6/2 LAIF Withdrawal - City	\$ (4,500,000)
6/10 Federal Home Loan Bank (FHLB) - Maturity	(2,000,000)
6/10 Federal Home Loan Bank (FHLB) - Maturity	(2,000,000)
6/15 Federal National Mortgage Association (FNMA) - Call	(2,000,000)
6/15 Federal Home Loan Mortgage Corp (FHLMC) - Call	(2,000,000)
6/16 LAIF Withdrawal - City	(1,000,000)
6/20 LAIF Withdrawal - City	(1,000,000)
6/21 LAIF Withdrawal - RDA	(15,000,000)
6/23 LAIF Withdrawal - City	(1,000,000)
6/24 Federal National Mortgage Association (FNMA) - Call	(2,000,000)
6/28 LAIF Withdrawal - City	(2,000,000)
6/30 Federal Home Loan Bank (FHLB) - Call	(2,000,000)
6/30 Federal Home Loan Mortgage Corp (FHLMC) - Call	(2,000,000)
6/30 Santa Barbara Airport Promissory Note - Principal Paydown	(82,289)
<b>Total</b>	<b>\$ (38,582,289)</b>

**ACTIVITY TOTAL**

**\$ (1,587,289)**

**INTEREST REVENUE**

**POOLED INVESTMENTS**

Interest Earned on Investments	\$ 225,370
Amortization	(9,005)
Interest on SBB&T Accounts	249
<b>Total</b>	<b>\$ 216,614</b>

**RDA INVESTMENTS**

Interest Earned on LAIF Investment	\$ 3,715
Interest Earned on Pooled Investments	30,192
	<b>\$ 33,907</b>

**TOTAL INTEREST EARNED**

**\$ 250,521**

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

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

<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	\$ 49,500,000	0.413%	27.88%	1
Certificates of Deposit	2,000,000	1.750%	1.13%	170
Federal Agency Issues - Coupon	113,995,100	2.149%	64.21%	1,128
Corporate/Medium Term Notes	5,993,192	2.293%	3.38%	1,410
	<u>171,488,292</u>	<u>1.648%</u>	<u>96.60%</u>	<u>801</u>
SB Airport Promissory Note	6,044,793	7.000%	3.40%	6,604
Totals and Averages	<u>\$ 177,533,085</u>	<u>1.830%</u>	<u>100.00%</u>	<u>999</u>
SBB&T Money Market Account	5,659,552			
<b>Total Cash and Investments</b>	<b><u>\$ 183,192,637</u></b>			

**NET CASH AND INVESTMENT ACTIVITY FOR JUNE 2011**                    **\$ (4,116,264)**

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

<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	\$ 48,000,000	0.452%	27.28%	1 (1)
Certificates of Deposit	2,000,000	1.750%	1.14%	140
Federal Agency Issues - Coupon	113,980,970	2.029%	64.79%	1,196
Corporate/Medium Term Notes	5,993,317	2.293%	3.41%	1,380
	<u>169,974,287</u>	<u>1.590%</u>	<u>96.62%</u>	<u>853</u>
SB Airport Promissory Note	5,962,504	7.000%	3.39%	6,574
Totals and Averages	<u>\$ 175,936,791</u>	<u>1.773%</u>	<u>100.00%</u>	<u>1,047</u>
SBB&T Money Market Account	3,139,582			
<b>Total Cash and Investments</b>	<b><u>\$ 179,076,373</u></b>			

Note:

(1) The average life of the LAIF portfolio as of June 30, 2011 is 237 days.



**CITY OF SANTA BARBARA**  
**Investment Portfolio**  
**June 30, 2011**

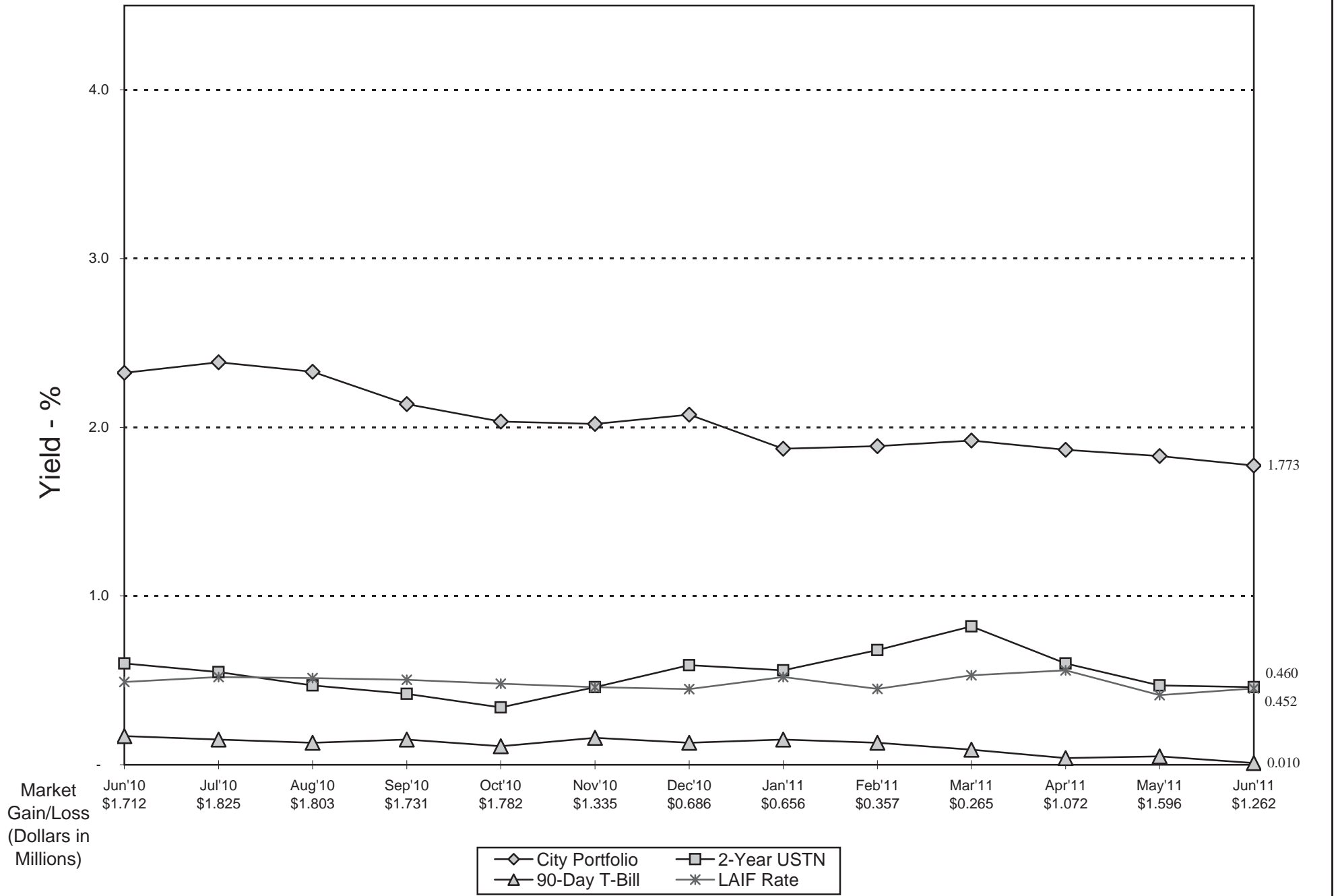
DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	QUALITY RATING S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
<b>LOCAL AGENCY INVESTMENT FUNDS</b>											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	0.452	0.452	48,000,000.00	48,000,000.00	48,000,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	0.452	0.452	0.00	0.00	0.00	0.00	
<b>Subtotal, LAIF</b>							48,000,000.00	48,000,000.00	48,000,000.00	0.00	
<b>CERTIFICATES OF DEPOSIT</b>											
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	
<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	AAA	2.250	2.120	2,000,000.00	2,002,041.65	2,031,450.00	29,408.35	
FEDERAL FARM CREDIT BANK	10/28/10	10/28/15	Aaa	AAA	1.540	1.540	2,000,000.00	2,000,000.00	1,984,850.00	(15,150.00)	Callable 10/28/11, then cont.
FEDERAL FARM CREDIT BANK	12/10/10	12/08/14	Aaa	AAA	1.500	1.662	2,000,000.00	1,994,518.16	1,997,870.00	3,351.84	Callable 12/08/11, then cont.
FEDERAL FARM CREDIT BANK	02/02/11	02/02/15	Aaa	AAA	2.000	2.000	1,500,000.00	1,500,000.00	1,508,895.00	8,895.00	Callable 02/02/12, then cont.
FEDERAL FARM CREDIT BANK	02/10/11	02/10/14	Aaa	AAA	1.375	1.375	2,000,000.00	2,000,000.00	2,031,240.00	31,240.00	
FEDERAL FARM CREDIT BANK	03/09/11	03/09/16	Aaa	AAA	2.600	2.621	2,000,000.00	1,998,622.22	2,027,850.00	29,227.78	Callable 03/09/12, then cont.
FEDERAL FARM CREDIT BANK	12/15/10	12/15/15	Aaa	AAA	2.480	2.480	2,000,000.00	2,000,000.00	2,015,870.00	15,870.00	Callable 12/15/11, then cont.
FEDERAL FARM CREDIT BANK	03/04/09	01/17/12	Aaa	AAA	2.000	2.002	2,000,000.00	2,000,000.00	2,019,450.00	19,450.00	
FEDERAL FARM CREDIT BANK	03/05/09	03/04/13	Aaa	AAA	2.600	2.600	2,000,000.00	2,000,000.00	2,072,430.00	72,430.00	
FEDERAL FARM CREDIT BANK	05/08/09	04/08/13	Aaa	AAA	2.200	2.200	2,000,000.00	2,000,000.00	2,061,580.00	61,580.00	
FEDERAL FARM CREDIT BANK	06/19/09	06/18/12	Aaa	AAA	2.125	2.125	2,000,000.00	2,000,000.00	2,034,690.00	34,690.00	
FEDERAL FARM CREDIT BANK	09/30/09	10/03/11	Aaa	AAA	1.125	1.125	2,000,000.00	2,000,000.00	2,004,900.00	4,900.00	
FEDERAL FARM CREDIT BANK	04/30/10	04/09/15	Aaa	AAA	2.900	2.916	2,000,000.00	1,999,395.48	2,030,050.00	30,654.52	Callable 04/09/12, once
FEDERAL FARM CREDIT BANK	11/23/10	11/23/15	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,001,180.00	1,180.00	Callable 05/23/12, then cont.
FEDERAL FARM CREDIT BANK	02/16/11	02/16/16	Aaa	AAA	2.570	2.570	2,000,000.00	2,000,000.00	2,064,130.00	64,130.00	
FEDERAL HOME LOAN BANK	05/26/11	05/26/16	Aaa	AAA	1.250	2.421	2,000,000.00	2,000,000.00	2,002,720.00	2,720.00	SU 3.25% Callable 08/26/11, then qtrly
FEDERAL HOME LOAN BANK	05/25/11	11/25/15	Aaa	AAA	1.000	2.555	2,000,000.00	2,000,000.00	2,003,030.00	3,030.00	SU 1.0%-7.0%, Call 08/25/11, then qtrly
FEDERAL HOME LOAN BANK	06/30/11	06/30/16	Aaa	AAA	1.300	2.297	2,000,000.00	2,000,000.00	1,989,350.00	(10,650.00)	SU 3% Callable 12/30/11, then qtrly
FEDERAL HOME LOAN BANK	03/04/09	06/08/12	Aaa	AAA	4.375	2.110	1,700,000.00	1,734,642.39	1,764,736.00	30,093.61	
FEDERAL HOME LOAN BANK	04/15/10	10/15/13	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,062,690.00	62,690.00	
FEDERAL HOME LOAN BANK	08/05/10	09/12/14	Aaa	AAA	1.375	1.375	2,000,000.00	2,000,000.00	2,021,080.00	21,080.00	
FEDERAL HOME LOAN BANK	12/28/10	07/28/14	Aaa	AAA	0.650	1.816	2,000,000.00	2,000,000.00	2,000,860.00	860.00	SU 2.05% Callable 07/28/11, once
FEDERAL HOME LOAN BANK	06/30/11	06/30/16	Aaa	AAA	2.110	2.110	2,000,000.00	2,000,000.00	1,983,120.00	(16,880.00)	Callable 09/30/11, then qtrly
FEDERAL HOME LOAN BANK	09/17/09	12/13/13	Aaa	AAA	3.125	2.440	2,000,000.00	2,031,677.01	2,118,280.00	86,602.99	
FEDERAL HOME LOAN BANK	01/15/10	10/30/12	Aaa	AAA	1.700	1.700	2,000,000.00	2,000,000.00	2,035,570.00	35,570.00	
FEDERAL HOME LOAN BANK	04/05/10	11/29/13	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,063,500.00	63,500.00	
FEDERAL HOME LOAN BANK	06/29/10	10/29/12	Aaa	AAA	1.125	1.125	2,000,000.00	2,000,000.00	2,020,290.00	20,290.00	
FEDERAL HOME LOAN BANK	06/15/11	06/15/16	Aaa	AAA	2.500	2.500	1,995,000.00	1,995,000.00	1,995,458.85	458.85	Callable 07/15/11, then monthly
FEDERAL HOME LOAN BANK	05/28/10	05/28/15	Aaa	AAA	2.000	2.653	2,000,000.00	2,000,000.00	2,046,990.00	46,990.00	SU 3.35%, Callable 11/28/12, once
FEDERAL HOME LOAN BANK	06/30/10	06/30/14	Aaa	AAA	1.125	2.277	2,000,000.00	2,000,000.00	2,003,810.00	3,810.00	SU 3% Callable 12/30/11, once
FEDERAL HOME LOAN BANK	09/17/09	09/13/13	Aaa	AAA	4.375	2.272	2,000,000.00	2,087,980.39	2,165,580.00	77,599.61	
FEDERAL HOME LOAN BANK	02/22/10	12/13/13	Aaa	AAA	3.125	2.130	2,000,000.00	2,046,563.94	2,118,280.00	71,716.06	

**CITY OF SANTA BARBARA**  
**Investment Portfolio**  
**June 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 BANK	03/26/10	06/08/12	Aaa	AAA	1.375	1.325	2,000,000.00	2,000,919.09	2,020,110.00	19,190.91	
FEDERAL HOME LOAN BANK	07/14/10	07/14/15	Aaa	AAA	2.000	2.336	2,000,000.00	2,000,000.00	2,001,600.00	1,600.00	SU 2.0%-3.5% Call 07/14/11, then qrtly
FEDERAL HOME LOAN BANK	02/09/11	01/29/15	Aaa	AAA	1.750	1.750	2,000,000.00	2,000,000.00	2,033,800.00	33,800.00	
FEDERAL HOME LOAN BANK	04/15/11	05/27/15	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,037,930.00	37,930.00	
FEDERAL HOME LOAN BANK	06/30/11	06/30/16	Aaa	AAA	2.200	2.200	2,000,000.00	2,000,000.00	1,984,820.00	(15,180.00)	Callable 09/30/11, then cont.
FEDERAL HOME LOAN MTG CORP	09/03/09	09/21/12	Aaa	AAA	2.125	1.699	2,000,000.00	2,010,098.36	2,043,580.00	33,481.64	
FEDERAL HOME LOAN MTG CORP	11/23/10	11/23/15	Aaa	AAA	1.750	1.845	2,000,000.00	1,996,450.00	1,979,260.00	(17,190.00)	Callable 11/23/11, once
FEDERAL HOME LOAN MTG CORP	01/06/11	02/25/14	Aaa	AAA	1.375	1.375	2,000,000.00	2,000,000.00	2,029,260.00	29,260.00	
FEDERAL HOME LOAN MTG CORP	02/22/11	08/22/14	Aaa	AAA	1.700	1.700	1,500,000.00	1,500,000.00	1,502,640.00	2,640.00	Callable 08/22/11, once
FEDERAL HOME LOAN MTG CORP	06/09/09	08/17/12	Aaa	AAA	1.000	2.420	2,000,000.00	1,969,344.88	2,012,160.00	42,815.12	
FEDERAL HOME LOAN MTG CORP	03/26/10	04/25/12	Aaa	AAA	1.125	1.197	1,000,000.00	999,419.07	1,006,650.00	7,230.93	
FEDERAL HOME LOAN MTG CORP	02/11/11	04/02/14	Aaa	AAA	4.500	1.615	2,000,000.00	2,154,213.97	2,190,780.00	36,566.03	
FEDERAL NATL MORTGAGE ASSN	07/07/10	07/07/15	Aaa	AAA	2.350	2.350	2,000,000.00	2,000,000.00	2,000,750.00	750.00	Callable 07/07/11, once
FEDERAL NATL MORTGAGE ASSN	02/17/11	02/17/16	Aaa	AAA	2.500	2.500	2,000,000.00	2,000,000.00	2,027,440.00	27,440.00	Callable 02/17/12, once
FEDERAL NATL MORTGAGE ASSN	06/07/11	03/07/16	Aaa	AAA	2.075	2.075	2,000,000.00	2,000,000.00	1,998,210.00	(1,790.00)	Callable 06/07/12, once
FEDERAL NATL MORTGAGE ASSN	08/10/10	08/10/15	Aaa	AAA	2.000	2.055	2,000,000.00	1,997,118.33	2,016,850.00	19,731.67	Callable 08/10/12, once
FEDERAL NATL MORTGAGE ASSN	11/17/10	11/17/14	Aaa	AAA	1.300	1.300	2,000,000.00	2,000,000.00	2,008,930.00	8,930.00	
FEDERAL NATL MORTGAGE ASSN	12/28/10	12/28/15	Aaa	AAA	2.000	2.011	2,000,000.00	1,999,508.33	1,988,060.00	(11,448.33)	Callable 12/28/11, once
FEDERAL NATL MORTGAGE ASSN	04/11/11	04/11/16	Aaa	AAA	2.500	2.500	2,000,000.00	2,000,000.00	2,023,050.00	23,050.00	Callable 04/11/12, once
FEDERAL NATL MORTGAGE ASSN	06/27/11	06/27/16	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	1,983,600.00	(16,400.00)	Callable 06/27/13, once
FEDERAL NATL MORTGAGE ASSN	08/05/10	08/05/15	Aaa	AAA	2.125	2.125	2,000,000.00	2,000,000.00	2,003,750.00	3,750.00	Callable 08/05/11, once
FEDERAL NATL MORTGAGE ASSN	09/09/10	09/09/15	Aaa	AAA	1.850	1.871	2,000,000.00	1,999,622.22	1,993,400.00	(6,222.22)	Callable 09/09/11, once
FEDERAL NATL MORTGAGE ASSN	09/21/10	09/21/15	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,027,370.00	27,370.00	
FEDERAL NATL MORTGAGE ASSN	12/10/10	10/26/15	Aaa	AAA	1.625	2.067	2,000,000.00	1,963,834.74	1,993,430.00	29,595.26	
FEDERAL NATL MORTGAGE ASSN	04/18/11	04/18/16	Aaa	AAA	2.500	2.500	2,000,000.00	2,000,000.00	2,030,980.00	30,980.00	Callable 04/18/13, once
FEDERAL NATL MORTGAGE ASSN	06/29/11	12/29/14	Aaa	AAA	1.300	1.300	2,000,000.00	2,000,000.00	1,996,720.00	(3,280.00)	Callable 03/29/12, once
<b>Subtotal, Federal Agencies</b>							<b>113,695,000.00</b>	<b>113,980,970.23</b>	<b>115,216,909.85</b>	<b>1,235,939.62</b>	
<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	1,993,316.67	2,024,920.00	31,603.33	
GENERAL ELECTRIC CAPITAL CORP	11/10/10	11/09/15	Aa2	AA+	2.250	2.250	2,000,000.00	2,000,000.00	1,965,980.00	(34,020.00)	
GENERAL ELECTRIC CAPITAL CORP	01/07/11	01/07/14	Aa2	AA+	2.100	2.100	2,000,000.00	2,000,000.00	2,028,380.00	28,380.00	
<b>Subtotal, Corporate Securities</b>							<b>6,000,000.00</b>	<b>5,993,316.67</b>	<b>6,019,280.00</b>	<b>25,963.33</b>	
<b>SB AIRPORT PROMISSORY NOTE (LT)</b>											
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	
<b>Subtotal, SBA Note</b>							<b>5,962,504.03</b>	<b>5,962,504.03</b>	<b>5,962,504.03</b>	<b>0.00</b>	
<b>TOTALS</b>							<b>175,657,504.03</b>	<b>175,936,790.93</b>	<b>177,198,693.88</b>	<b>1,261,902.95</b>	

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**  
**June 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	
<b>BOND FUNDS</b>											
<i>RESERVE FUNDS</i>											
2004 RDA - Housing Bonds	565,057.50	-	-	-	-	-	-	-	-	565,057.50	565,057.50
2002 Municipal Improvement - Refunding COPs	13,718.40	547,530.00	-	-	-	-	-	-	-	561,248.40	561,248.40
2002 Water - Refunding COPs	23,658.02	1,088,268.76	-	-	-	-	-	-	-	1,111,926.78	1,111,926.78
1994 Water - Revenue Bonds	19,807.77	757,680.00	-	-	-	-	-	-	-	777,487.77	777,487.77
2002 Waterfront - Reference COPs	877.43	1,393,262.50	-	-	-	-	-	-	-	1,394,139.93	1,394,139.93
1992 Seismic - Safety Bonds	87,465.19	-	-	-	-	-	-	-	-	87,465.19	87,465.19
Subtotal, Reserve Funds	710,584.31	3,786,741.26	-	-	-	-	-	-	-	4,497,325.57	4,497,325.57
<i>PROJECT FUNDS</i>											
2001 RDA Bonds	2,366,719.00	-	-	-	-	-	-	-	-	2,366,719.00	2,366,719.00
2003 RDA Bonds	12,040,655.72	-	-	-	-	-	-	-	-	12,040,655.72	12,040,655.72
2004 Sewer Revenue Bonds	2,196,782.42	1,357,140.00	-	-	-	-	-	-	-	3,553,922.42	3,553,922.42
2009 Airport Bonds	7,206,154.20	-	-	-	-	-	3,100,000.00	3,179,391.00	10,306,154.20	10,385,545.20	
Subtotal, Project Funds	23,810,311.34	1,357,140.00	-	-	-	-	3,100,000.00	3,179,391.00	28,267,451.34	28,346,842.34	
Subtotal Bond Funds	24,520,895.65	5,143,881.26	-	-	-	-	3,100,000.00	3,179,391.00	32,764,776.91	32,844,167.91	
<b>POLICE/FIRE - SVC RETIREMENT FUND</b>											
Police/Fire Funds	32,087.25	-	234,708.75	287,459.81	365,321.90	362,791.65	-	-	632,117.90	682,338.71	
	32,087.25	-	234,708.75	287,459.81	365,321.90	362,791.65	-	-	632,117.90	682,338.71	
<b>TOTAL FISCAL AGENT INVESTMENTS</b>	<u>24,552,982.90</u>	<u>5,143,881.26</u>	<u>234,708.75</u>	<u>287,459.81</u>	<u>365,321.90</u>	<u>362,791.65</u>	<u>3,100,000.00</u>	<u>3,179,391.00</u>	<u>33,396,894.81</u>	<u>33,526,506.62</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