



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** January 26, 2010  
**TO:** Mayor and Councilmembers  
**FROM:** Treasury Division, Finance Department  
**SUBJECT:** December 31, 2009, Investment Report And December 31, 2009, Fiscal Agent Report

**RECOMMENDATION:** That Council:

- A. Accept the December 31, 2009, Investment Report; and
- B. Accept the December 31, 2009, Fiscal Agent Report.

### DISCUSSION:

The City's investment reporting schedule requires staff to submit a comprehensive report on the City portfolio on a quarterly basis. This report covers investment activity for October through December, 2009.

According to estimates released by the Bureau of Economic Analysis, real gross domestic product (GDP), the broadest measure of the health of the U.S. economy, increased at an annual rate of 2.2 percent during the third calendar quarter of 2009 after a 6.4 percent decrease for first quarter and 0.7 percent growth in the second quarter of 2009. Positive GDP growth was due to growth primarily in consumer consumption, exports, and federal stimulus spending.

As shown in the table to the right, interest rates for U.S. Treasury securities moved generally higher over the quarter due to upward pressure on yields as large amounts of Treasury debt came to market again this quarter. An increase in the supply of Treasuries in the market generally acts to push prices down and yields higher.

U.S. Treasury Market					
	9/30/2009	10/31/2009	11/30/2009	12/31/2009	Cumulative Change
3 Month	0.11%	0.04%	0.05%	0.05%	-0.06%
6 Month	0.17%	0.16%	0.15%	0.19%	0.02%
1 Year	0.38%	0.35%	0.24%	0.44%	0.06%
2 Year	0.94%	0.89%	0.66%	1.14%	0.20%
3 Year	1.42%	1.39%	1.10%	1.68%	0.26%
4 Year	1.87%	1.85%	1.55%	2.18%	0.31%
5 Year	2.31%	2.31%	2.00%	2.68%	0.37%
10 Year	3.31%	3.39%	3.20%	3.84%	0.53%
30 Year	4.05%	4.23%	4.19%	4.64%	0.59%
LAIF	0.75%	0.65%	0.61%	0.57%	-0.18%

The Consumer Price Index (CPI) is a general measure of inflation showing the average change in prices over time of goods and services purchased by households. The seasonally adjusted CPI for all items remained basically flat in December at 0.1 percent. Without fears of immediate inflation in the U.S. economy, the Federal Reserve Bank's Open Market Committee, which sets the federal funds rate, reiterated its commitment to keep rates exceptionally low for an extended period at its December meeting. During the fourth quarter, the federal funds rate remained unchanged at a target range of 0-1/4 percent.

### Investment Activity

As shown in the table on below, the City invested \$14.0 million during the quarter. The purchases consisted of \$10.0 million in "AAA" rated Federal Agency callable securities and \$4.0 million in certificates of deposit. During the quarter, \$6.0 million of "AAA" rated Federal Agency securities were called and \$6.345 million securities matured. In addition, the portfolio also received \$86,339 in a semi-annual principal payment on the Airport promissory note at the end of December.

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	10/14/09	10/14/14	10/14/10	2.875%	2.875%
Federal Home Loan Mortgage Corp. (FHLMC)	2,000,000	10/28/09	10/28/14	10/28/10	3.000%	3.000%
Federal National Mortgage Assn. (FNMA)	2,000,000	10/29/09	10/29/14	04/29/10	2.250%	3.304%
Montecito Bank & Trust CD	2,000,000	11/18/09	11/18/10	-	-	1.250%
Montecito Bank & Trust CD	2,000,000	11/18/09	11/18/11	-	-	1.750%
Federal Farm Credit Bank (FFCB)	2,000,000	12/01/09	12/01/14	12/01/10	2.840%	2.840%
Federal National Mortgage Assn. (FNMA)	2,000,000	12/30/09	12/30/14	06/30/10	3.000%	3.000%
<i>Total Purchases</i>	<b>\$ 14,000,000</b>					
<i>Calls:</i>						
Federal Home Loan Mortgage Corp. (FHLMC)	\$ 2,000,000	10/15/07	10/15/12	10/15/09	5.050%	5.050%
Federal Home Loan Bank (FHLB)	2,000,000	07/16/09	07/16/12	10/16/09	2.200%	2.200%
Federal National Mortgage Assn. (FNMA)	2,000,000	08/20/09	08/20/14	11/20/09	3.827%	3.636%
<i>Total Calls</i>	<b>\$ 6,000,000</b>					
<i>Maturities:</i>						
Airport Promissory Note - Partial Redemption	\$ 86,339	07/14/09	06/30/29	-	-	7.000%
Federal Home Loan Bank (FHLB)	2,345,000	11/07/06	10/26/09	-	-	5.000%
Federal Home Loan Bank (FHLB)	2,000,000	12/18/06	11/03/09	-	-	4.834%
Montecito Bank & Trust CD	2,000,000	11/18/08	11/18/09	-	-	2.500%
<i>Total Maturities</i>	<b>\$ 6,431,339</b>					

The weighted average yield to maturity on the quarter's purchases totaled 2.574 percent, compared to 3.902 percent on the quarter's called and matured investments. 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 of the investment portfolio.

The average rate at which the City earned interest at the Local Agency Investment Fund (LAIF), the State managed investment pool, was 0.61 percent for the quarter ended December 31, 2009. Staff expects to reinvest a portion of the City's LAIF balances in short-term securities during the next quarter.

### **Summary of Cash and Investments**

During the quarter, the City's book rate of return (portfolio yield) decreased by 18.4 basis points from 2.919 percent at September 30, 2009 to 2.735 percent at December 31, 2009. The portfolio yield measures the actual interest earnings generated from the portfolio. The portfolio yield continues to decline through the attrition of higher-yielding securities, and reinvestment at considerably lower market rates. The portfolio's average days to maturity decreased by 19 days from 912 to 893 days which includes the 20-year Airport promissory note added to the portfolio in July 2009 and authorized by Council action on April 14, 2009. The portfolio's average days to maturity excluding the Airport note is 605 days, reflecting reinvestment of maturities and calls during the quarter in the one to five year range.

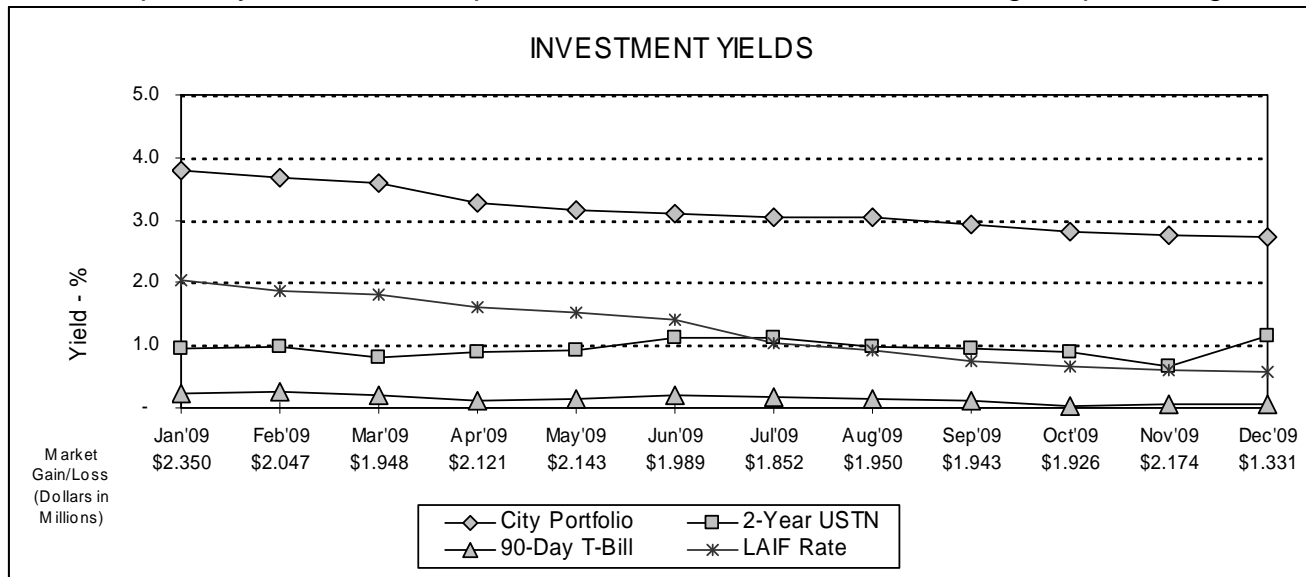
Mo. Ended	Yield	Days to Maturity
9/30/2009	2.919%	912
10/31/2009	2.826%	917
11/30/2009	2.751%	898
12/31/2009	2.735%	893

### **Credit Quality on Corporate Notes**

Over the quarter ended December 31, 2009, there were no credit quality changes to the four corporate issuers of the medium-term notes held in the portfolio (i.e., Berkshire Hathaway Financial, General Electric Capital Corp, Toyota Motor Credit, and Wells Fargo & Company). All ratings remain within the City's Investment Policy guidelines of "A" or better.

### Portfolio Market Gains/Losses

As shown on the Investment Yields below, the City's portfolio continued to reflect unrealized market gains during the quarter due to the low interest rate environment. At December 31, the portfolio had an unrealized market gain of \$1.331 million. On a quarterly basis, staff reports the five securities with the largest percentage of



unrealized losses as shown in the table below. Note, however, since securities in the portfolio are held to maturity, no market loss will be realized.

Issuer	Face Amount	Maturity	\$ Mkt Change	% Mkt Change
Federal Farm Credit Bank	\$2,000,000	12/01/14	-\$29,690	-1.48%
Federal Farm Credit Bank	\$2,000,000	10/14/14	-\$20,310	-1.02%
Federal National Mortgage Assn.	\$2,000,000	12/30/14	-\$18,740	-0.94%
Federal Home Loan Mortgage Corp.	\$2,000,000	10/28/14	-\$18,240	-0.91%
Federal National Mortgage Assn.	\$2,000,000	10/29/14	-\$5,940	-0.30%

On a quarterly basis, staff also reports all securities with market declines of greater than 1 percent compared to the prior month. At December 31, there are 14 securities reported due to the rise in Treasury yields which caused a corresponding decline in market value. All but two of the securities shown below have a book-to-market gain in spite of the monthly market decline of greater than 1%.

Issuer	Face Amount	Maturity	Nov-Dec Mkt Change (\$)	Nov-Dec Mkt Change (%)	% Book-Mkt Gain/(Loss) at 12.31.09
Federal Home Loan Bank	\$2,000,000	09/13/13	-\$43,750	-1.99%	0.18%
Federal Home Loan Bank	\$2,000,000	12/13/13	-\$41,560	-1.98%	0.22%
Federal Farm Credit Bank	\$2,000,000	10/14/14	-\$38,750	-1.92%	-1.02%
Federal Farm Credit Bank	\$2,000,000	04/08/13	-\$35,000	-1.71%	0.55%
Federal Farm Credit Bank	\$2,000,000	03/04/13	-\$34,370	-1.66%	1.89%
Federal Home Loan Mortgage Corp.	\$2,000,000	10/28/14	-\$32,360	-1.61%	-0.91%
Federal Home Loan Bank	\$1,700,000	06/08/12	-\$24,973	-1.37%	0.39%
Federal Home Loan Mortgage Corp.	\$2,000,000	05/13/13	-\$27,620	-1.35%	0.64%
Federal Home Loan Mortgage Corp.	\$2,000,000	04/08/13	-\$25,920	-1.27%	0.54%
Federal Home Loan Mortgage Corp.	\$2,000,000	08/17/12	-\$24,900	-1.26%	1.58%
Federal Home Loan Mortgage Corp.	\$2,000,000	09/21/12	-\$24,360	-1.19%	0.00%
Federal Home Loan Mortgage Corp.	\$2,000,000	11/19/12	-\$23,760	-1.17%	0.38%
Federal National Mortgage Assn.	\$2,000,000	09/09/14	-\$22,190	-1.09%	0.64%
Federal Farm Credit Bank	\$2,000,000	04/24/12	-\$21,560	-1.05%	1.44%

### Additional Reporting Requirements

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of December 31, 2009 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 December 31, 2009.

**ATTACHMENTS:** 1. December 31, 2009, Investment Report  
 2. December 31, 2009, Fiscal Agent Report

**PREPARED BY:** Jill Taura, Treasury Manager

**SUBMITTED BY:** Robert Samario, Interim Finance Director

**APPROVED BY:** City Administrator's Office

**CITY OF SANTA BARBARA  
Activity and Interest Report  
December 31, 2009**

**INVESTMENT ACTIVITY**

**PURCHASES OR DEPOSITS**

12/1 Federal Farm Credit Bank (FFCB)	\$ 2,000,000
12/30 Federal National Mortgage Association (FNMA)	2,000,000
12/30 LAIF Deposit - City	4,000,000
12/30 LAIF Deposit - RDA	8,000,000
<b>Total</b>	<b>\$ 16,000,000</b>

**SALES, MATURITIES, CALLS OR WITHDRAWALS**

12/3 LAIF Withdrawal/City	\$ (2,000,000)
12/3 LAIF Withdrawal/RDA	(1,000,000)
12/17 LAIF Withdrawal/City	(5,000,000)
12/18 LAIF Withdrawal/City	(1,000,000)
12/18 LAIF Withdrawal/RDA	(2,500,000)
12/31 Santa Barbara Airport Promissory Note - Principal Paydown	(86,339)
<b>Total</b>	<b>\$ (11,586,339)</b>

**ACTIVITY TOTAL**

**\$ 4,413,661**

**INTEREST REVENUE**

**POOLED INVESTMENTS**

Interest Earned on Investments	\$ 347,063
Amortization	3,735
SBB&T Sweep Account Interest	222
SBB&T Money Market Interest	1
<b>Total</b>	<b>\$ 351,020</b>

**RDA INVESTMENTS**

Interest Earned on Investments (LAIF)	<b>\$ 11,382</b>
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**TOTAL INTEREST EARNED**

**\$ 362,402**

**CITY OF SANTA BARBARA**  
**Summary of Cash and Investments**  
**December 31, 2009**

**ENDING BALANCE AS OF NOVEMBER 30, 2009**

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 44,600,000	0.611%	28.04%	1
Certificates of Deposit	4,000,000	1.500%	2.52%	535
Federal Agency Issues - Coupon	92,879,248	3.272%	58.40%	926
Corporate/Medium Term Notes	10,256,556	4.797%	6.45%	246
	<u>151,735,804</u>	<u>2.546%</u>	<u>95.41%</u>	<u>598</u>
SB Airport Promissory Note	7,300,000	7.000%	4.59%	7,151
Totals and Averages	<u>\$ 159,035,804</u>	<u>2.751%</u>	<u>100.00%</u>	<u>898</u>
SBB&T Money Market Account	1,963,016			
<b>Total Cash and Investments</b>	<b><u>\$ 160,998,820</u></b>			

**NET CASH AND INVESTMENT ACTIVITY FOR DECEMBER 2009**      **\$ 5,314,877**

**ENDING BALANCE AS OF DECEMBER 31, 2009**

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 45,100,000	0.569%	27.59%	1 (1)
Certificates of Deposit	4,000,000	1.500%	2.45%	504
Federal Agency Issues - Coupon	96,882,898	3.258%	59.27%	932
Corporate/Medium Term Notes	10,256,641	4.797%	6.28%	215
	<u>156,239,539</u>	<u>2.538%</u>	<u>95.59%</u>	<u>605</u>
SB Airport Promissory Note	7,213,661	7.000%	4.41%	7,120
Totals and Averages	<u>\$ 163,453,200</u>	<u>2.735%</u>	<u>100.00%</u>	<u>893</u>
SBB&T Money Market Account	2,860,497			
<b>Total Cash and Investments</b>	<b><u>\$ 166,313,697</u></b>			

Note:

(1) The average life of the LAIF portfolio as of December 31, 2009 is 222 days.

**CITY OF SANTA BARBARA**  
**Investment Portfolio**  
**December 31, 2009**

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	-	-	-	-	0.569	0.569	15,500,000.00	15,500,000.00	15,500,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	0.569	0.569	29,600,000.00	29,600,000.00	29,600,000.00	0.00	
<b>Subtotal, LAIF</b>							45,100,000.00	45,100,000.00	45,100,000.00	0.00	
<b>CERTIFICATES OF DEPOSIT</b>											
MONTECITO BANK & TRUST	11/18/09	11/18/10	-	-	1.250	1.250	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
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>							4,000,000.00	4,000,000.00	4,000,000.00	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	2,005,804.41	2,034,690.00	28,885.59	
FEDERAL FARM CREDIT BANK	10/14/09	10/14/14	Aaa	AAA	2.875	2.875	2,000,000.00	2,000,000.00	1,979,690.00	(20,310.00)	Callable 10/14/10, then cont.
FEDERAL FARM CREDIT BANK	11/07/06	01/18/11	Aaa	AAA	5.750	5.000	2,000,000.00	2,013,967.21	2,107,190.00	93,222.79	
FEDERAL FARM CREDIT BANK	01/29/07	08/25/10	Aaa	AAA	4.750	5.111	2,000,000.00	1,995,745.79	2,054,070.00	58,324.21	
FEDERAL FARM CREDIT BANK	02/01/08	02/01/13	Aaa	AAA	3.790	3.790	2,000,000.00	2,000,000.00	2,005,000.00	5,000.00	Callable 2/01/10, then cont.
FEDERAL FARM CREDIT BANK	03/04/09	03/02/12	Aaa	AAA	2.370	2.370	2,000,000.00	2,000,000.00	2,005,940.00	5,940.00	Callable 3/02/10, then cont.
FEDERAL FARM CREDIT BANK	03/04/09	01/17/12	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,027,820.00	27,820.00	
FEDERAL FARM CREDIT BANK	03/05/09	03/04/13	Aaa	AAA	2.600	2.600	2,000,000.00	2,000,000.00	2,037,820.00	37,820.00	
FEDERAL FARM CREDIT BANK	05/08/09	04/08/13	Aaa	AAA	2.200	2.200	2,000,000.00	2,000,000.00	2,010,940.00	10,940.00	
FEDERAL FARM CREDIT BANK	06/19/09	06/18/12	Aaa	AAA	2.125	2.125	2,000,000.00	2,000,000.00	2,026,250.00	26,250.00	
FEDERAL FARM CREDIT BANK	09/30/09	10/03/11	Aaa	AAA	1.125	1.125	2,000,000.00	2,000,000.00	1,997,190.00	(2,810.00)	
FEDERAL FARM CREDIT BANK	12/01/09	12/01/14	Aaa	AAA	2.840	2.840	2,000,000.00	2,000,000.00	1,970,310.00	(29,690.00)	Callable 12/01/10, then cont.
FEDERAL HOME LOAN BANK	10/25/06	02/12/10	Aaa	AAA	3.875	5.117	1,000,000.00	998,711.63	1,004,060.00	5,348.37	
FEDERAL HOME LOAN BANK	05/22/07	06/10/11	Aaa	AAA	5.250	5.005	2,000,000.00	2,006,300.62	2,118,750.00	112,449.38	
FEDERAL HOME LOAN BANK	07/09/07	02/15/11	Aaa	AAA	4.000	5.308	2,000,000.00	1,973,565.43	2,074,380.00	100,814.57	
FEDERAL HOME LOAN BANK	07/09/07	03/12/10	Aaa	AAA	5.000	5.268	1,000,000.00	999,503.81	1,009,220.00	9,716.19	
FEDERAL HOME LOAN BANK	02/26/09	02/24/14	Aaa	AAA	3.250	3.261	2,000,000.00	1,999,851.96	2,009,380.00	9,528.04	Callable 2/24/10, then qtrly
FEDERAL HOME LOAN BANK	03/04/09	06/08/12	Aaa	AAA	4.375	2.110	1,700,000.00	1,790,152.46	1,797,214.50	7,062.04	
FEDERAL HOME LOAN BANK	06/30/09	06/30/14	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,022,190.00	22,190.00	StrNt, Callable 6/30/11, once
FEDERAL HOME LOAN BANK	09/30/09	09/30/14	Aaa	AAA	2.000	3.448	2,000,000.00	2,000,000.00	1,997,820.00	(2,180.00)	StrNt, Callable 12/30/09, qtrly
FEDERAL HOME LOAN BANK	09/17/09	12/13/13	Aaa	AAA	3.125	2.440	2,000,000.00	2,051,071.09	2,055,630.00	4,558.91	
FEDERAL HOME LOAN BANK	09/14/06	09/29/10	Aaa	AAA	5.125	5.070	1,000,000.00	1,000,346.28	1,032,655.00	32,308.72	
FEDERAL HOME LOAN BANK	05/23/08	06/10/11	Aaa	AAA	3.125	3.520	2,000,000.00	1,989,241.51	2,055,940.00	66,698.49	
FEDERAL HOME LOAN BANK	11/08/06	07/30/10	Aaa	AAA	5.000	5.010	2,000,000.00	1,999,869.18	2,051,570.00	51,700.82	
FEDERAL HOME LOAN BANK	12/18/06	06/22/10	Aaa	AAA	4.500	4.825	2,000,000.00	1,997,188.78	2,040,000.00	42,811.22	
FEDERAL HOME LOAN BANK	06/18/07	03/12/10	Aaa	AAA	4.875	5.382	2,000,000.00	1,998,152.85	2,018,120.00	19,967.15	
FEDERAL HOME LOAN BANK	06/16/08	12/10/10	Aaa	AAA	3.250	3.800	2,000,000.00	1,990,171.28	2,049,380.00	59,208.72	

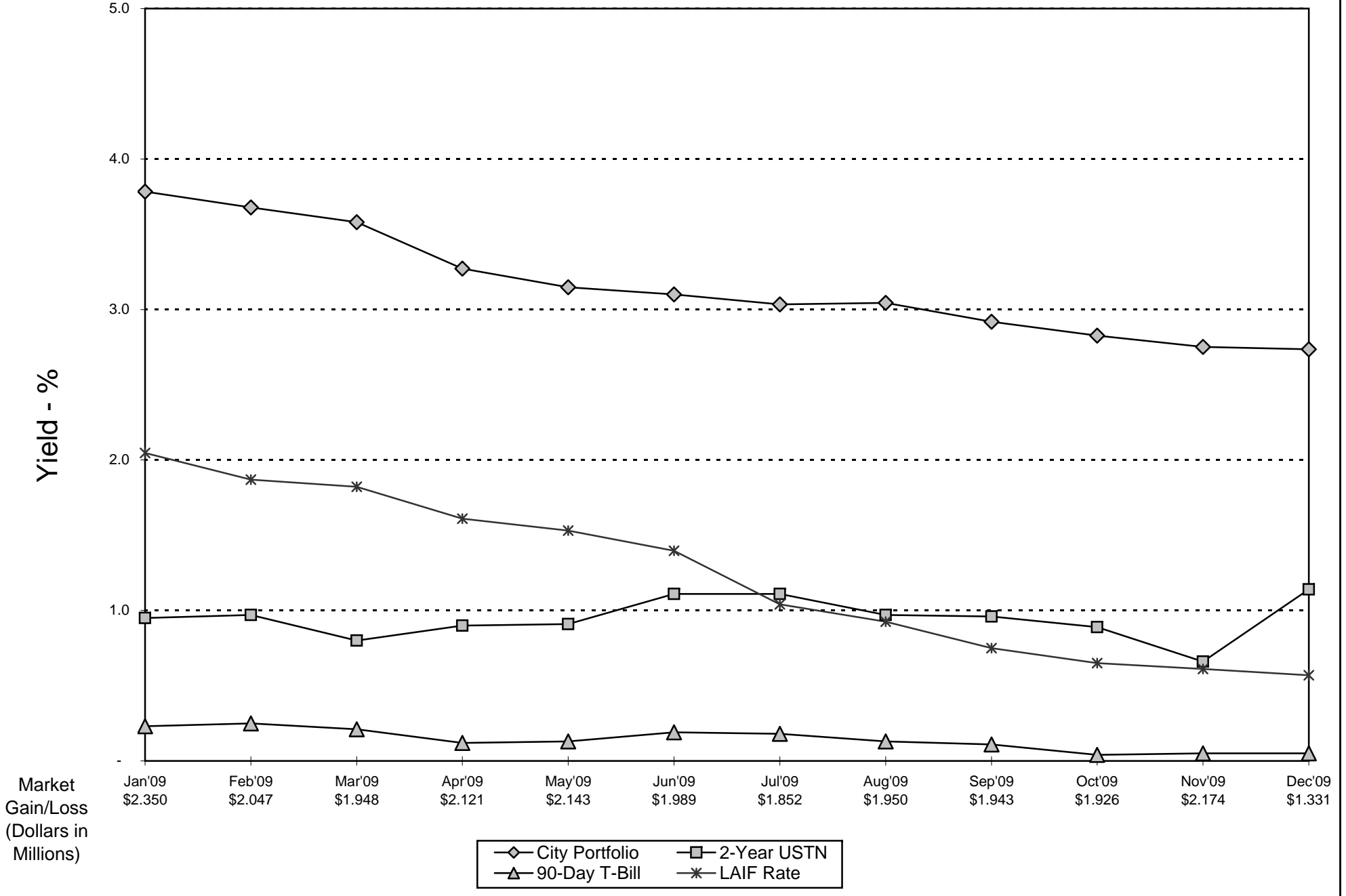


**CITY OF SANTA BARBARA**  
**Investment Portfolio**  
**December 31, 2009**

DESCRIPTION	PURCHASE	MATURITY	QUALITY RATING		STATED	YIELD AT	FACE	BOOK	MARKET	BOOK	COMMENTS
	DATE	DATE	MOODY'S	S & P							
FEDERAL HOME LOAN BANK	09/17/09	09/13/13	Aaa	AAA	4.375	2.272	2,000,000.00	2,147,967.02	2,151,880.00	3,912.98	
FEDERAL HOME LOAN MTG CORP	04/08/09	04/08/13	Aaa	AAA	2.500	2.526	2,000,000.00	1,998,730.56	2,009,440.00	10,709.44	Callable 4/08/11, once
FEDERAL HOME LOAN MTG CORP	05/19/09	11/19/12	Aaa	AAA	2.170	2.170	2,000,000.00	2,000,000.00	2,007,560.00	7,560.00	Callable 5/19/11, once
FEDERAL HOME LOAN MTG CORP	09/03/09	09/21/12	Aaa	AAA	2.125	1.699	2,000,000.00	2,022,491.80	2,022,510.00	18.20	
FEDERAL HOME LOAN MTG CORP	05/13/09	05/13/13	Aaa	AAA	2.400	2.400	2,000,000.00	2,000,000.00	2,012,740.00	12,740.00	Callable 5/13/11, once
FEDERAL HOME LOAN MTG CORP	08/26/09	08/26/14	Aaa	AAA	3.625	3.625	2,000,000.00	2,000,000.00	2,003,340.00	3,340.00	Callable 2/26/10, then qtrly
FEDERAL HOME LOAN MTG CORP	05/29/07	07/06/10	Aaa	AAA	4.500	5.070	2,000,000.00	1,994,623.90	2,040,900.00	46,276.10	
FEDERAL HOME LOAN MTG CORP	07/30/09	01/30/13	Aaa	AAA	2.350	2.350	2,000,000.00	2,000,000.00	2,001,300.00	1,300.00	Callable 7/30/10, once
FEDERAL HOME LOAN MTG CORP	10/28/09	10/28/14	Aaa	AAA	3.000	3.000	2,000,000.00	2,000,000.00	1,981,760.00	(18,240.00)	Callable 10/28/10, then qtrly
FEDERAL HOME LOAN MTG CORP	06/09/09	08/17/12	Aaa	AAA	1.000	2.420	2,000,000.00	1,928,572.06	1,959,120.00	30,547.94	
FEDERAL HOME LOAN MTG CORP	01/29/07	01/25/10	Aaa	AAA	4.375	5.122	2,000,000.00	1,999,087.29	2,004,840.00	5,752.71	
FEDERAL HOME LOAN MTG CORP	05/22/07	09/17/10	Aaa	AAA	3.880	5.015	2,000,000.00	1,985,274.11	2,045,420.00	60,145.89	
FEDERAL HOME LOAN MTG CORP	04/29/09	10/29/12	Aaa	AAA	2.250	2.250	2,000,000.00	2,000,000.00	2,015,100.00	15,100.00	Callable 10/29/10, once
FEDERAL NATL MORTGAGE ASSN	03/18/09	09/18/12	Aaa	AAA	2.500	2.500	2,000,000.00	2,000,000.00	2,031,880.00	31,880.00	Callable 3/18/11, once
FEDERAL NATL MORTGAGE ASSN	03/23/09	03/23/12	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,015,940.00	15,940.00	StrNt, Callable 9/23/10, once
FEDERAL NATL MORTGAGE ASSN	05/04/09	05/04/12	Aaa	AAA	2.150	2.185	2,000,000.00	1,999,316.67	2,010,310.00	10,993.33	Callable 5/04/10, once
FEDERAL NATL MORTGAGE ASSN	09/09/09	09/09/14	Aaa	AAA	3.250	3.250	2,000,000.00	2,000,000.00	2,012,810.00	12,810.00	Callable 9/09/10, once
FEDERAL NATL MORTGAGE ASSN	12/30/09	12/30/14	Aaa	AAA	3.000	3.000	2,000,000.00	2,000,000.00	1,981,260.00	(18,740.00)	Callable 6/30/10, then qtrly
FEDERAL NATL MORTGAGE ASSN	04/27/06	04/20/10	Aaa	AAA	4.750	5.270	2,000,000.00	1,997,190.19	2,026,260.00	29,069.81	
FEDERAL NATL MORTGAGE ASSN	02/27/09	02/24/12	Aaa	AAA	2.250	2.250	2,000,000.00	2,000,000.00	2,026,250.00	26,250.00	Callable 2/24/11, once
FEDERAL NATL MORTGAGE ASSN	05/20/09	11/20/12	Aaa	AAA	2.250	2.250	2,000,000.00	2,000,000.00	2,005,310.00	5,310.00	Callable 5/20/10, once
FEDERAL NATL MORTGAGE ASSN	10/29/09	10/29/14	Aaa	AAA	2.250	3.304	2,000,000.00	2,000,000.00	1,994,060.00	(5,940.00)	StrNt, Callable 4/29/10 cont.
FEDERAL NATL MORTGAGE ASSN	03/05/08	03/05/13	Aaa	AAA	4.100	4.100	2,000,000.00	2,000,000.00	2,012,810.00	12,810.00	Callable 3/05/10, once
<b>Subtotal, Federal Agencies</b>							<u>96,700,000.00</u>	<u>96,882,897.89</u>	<u>97,966,019.50</u>	<u>1,083,121.61</u>	
<b>CORPORATE/MEDIUM TERM NOTES</b>											
BERKSHIRE HATHAWAY FIN	01/15/08	01/15/10	Aa2	AAA	4.125	3.630	2,250,000.00	2,250,413.87	2,252,182.50	1,768.63	
GENERAL ELECTRIC CAPITAL CORP	01/10/07	02/22/11	Aa2	AA+	6.125	5.100	2,000,000.00	2,020,832.87	2,113,400.00	92,567.13	
TOYOTA MOTOR CREDIT	10/19/06	03/15/10	Aa1	AA	4.250	5.140	2,000,000.00	1,996,676.64	2,015,140.00	18,463.36	
WELLS FARGO & CO.	05/30/07	01/12/11	A1	AA-	4.875	5.260	2,000,000.00	1,992,825.05	2,072,200.00	79,374.95	
WELLS FARGO & CO.	10/10/06	08/09/10	A1	AA-	4.625	5.000	2,000,000.00	1,995,892.74	2,051,180.00	55,287.26	
<b>Subtotal, Corporate Securities</b>							<u>10,250,000.00</u>	<u>10,256,641.17</u>	<u>10,504,102.50</u>	<u>247,461.33</u>	
<b>SB AIRPORT PROMISSORY NOTE (LT)</b>											
SANTA BARBARA AIRPORT	07/14/09	06/30/29	-	-	7.000	7.000	<u>7,213,660.84</u>	<u>7,213,660.84</u>	<u>7,213,660.84</u>	<u>0.00</u>	
<b>Subtotal, SBA Note</b>							<u>7,213,660.84</u>	<u>7,213,660.84</u>	<u>7,213,660.84</u>	<u>0.00</u>	
<b>TOTALS</b>							<u>163,263,660.84</u>	<u>163,453,199.90</u>	<u>164,783,782.84</u>	<u>1,330,582.94</u>	

Market values have been obtained from the City's safekeeping agent, Santa Barbara Bank and Trust (SBB&T). SBB&T uses Interactive Data Pricing Service, Bloomberg and DTC.

# INVESTMENT YIELDS



**CITY OF SANTA BARBARA  
Fiscal Agent Investments  
December 31, 2009**

	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	215.61	-	-	-	-	-	-	-	-	215.61	215.61
2002 Municipal Improvement - Refunding COPs	13,994.98	547,530.00	-	-	-	-	-	-	-	561,524.98	561,524.98
2002 Water - Refunding COPs	24,164.10	1,088,268.76	-	-	-	-	-	-	-	1,112,432.86	1,112,432.86
1994 Water - Revenue Bonds	20,020.19	757,680.00	-	-	-	-	-	-	-	777,700.19	777,700.19
2002 Waterfront - Reference COPs	2,219.05	1,393,262.50	-	-	-	-	-	-	-	1,395,481.55	1,395,481.55
1992 Seismic - Safety Bonds	87,465.19	-	-	-	-	-	-	-	-	87,465.19	87,465.19
Subtotal, Reserve Funds	148,079.12	3,786,741.26	-	-	-	-	-	-	-	3,934,820.38	3,934,820.38
<i>PROJECT FUNDS</i>											
2001 RDA Bonds	3,468,849.41	-	-	-	-	-	-	-	-	3,468,849.41	3,468,849.41
2003 RDA Bonds	18,364,981.86	-	-	-	-	-	-	-	-	18,364,981.86	18,364,981.86
2004 Sewer Revenue Bonds	3,080,881.63	1,357,140.00	-	-	-	-	-	-	-	4,438,021.63	4,438,021.63
2009 Airport Bonds	44,835,266.86	-	-	-	-	-	3,100,000.00	3,050,338.00	-	47,935,266.86	47,885,604.86
Subtotal, Project Funds	69,749,979.76	1,357,140.00	-	-	-	-	3,100,000.00	3,050,338.00	-	74,207,119.76	74,157,457.76
Subtotal Bond Funds	69,898,058.88	5,143,881.26	-	-	-	-	3,100,000.00	3,050,338.00	-	78,141,940.14	78,092,278.14
<b>POLICE/FIRE - SVC RETIREMENT FUND</b>											
Police/Fire Funds	91,319.89	-	121,895.92	130,848.61	70,680.76	70,478.00	-	-	-	283,896.57	292,646.50
	91,319.89	-	121,895.92	130,848.61	70,680.76	70,478.00	-	-	-	283,896.57	292,646.50
<b>TOTAL FISCAL AGENT INVESTMENTS</b>	<u>69,989,378.77</u>	<u>5,143,881.26</u>	<u>121,895.92</u>	<u>130,848.61</u>	<u>70,680.76</u>	<u>70,478.00</u>	<u>3,100,000.00</u>	<u>3,050,338.00</u>	<u>-</u>	<u>78,425,836.71</u>	<u>78,384,924.64</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