



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: April 27, 2010

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: March 31, 2010, Investment Report And March 31, 2010, Fiscal Agent Report

RECOMMENDATION: That Council:

- A. Accept the March 31, 2010, Investment Report; and
- B. Accept the March 31, 2010, 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 January through March 2010.

While the economy continued to exhibit clear signs of improvement this quarter, financial news was mixed, indicating the road to recovery will likely be both gradual and prolonged. The National Bureau of Economic Research (NBER), the official research organization that determines business cycles, said that despite positive growth in the economy, a formal determination that the recession has ended based on the current data "would be premature." The NBER makes its determination on a variety of factors including gross domestic product (GDP), employment levels, industrial production cycles and household incomes.

The Consumer Price Index (CPI) is a general measure of inflation showing the average change over time in prices of goods and services purchased by households. The seasonally adjusted CPI for all items remained basically flat in March at 0.1 percent. Economists remain divided on whether the economy will enter an inflationary cycle in the near future, but most do not see much risk with continued high unemployment levels and gradual economic recovery. The national unemployment rate in March was 9.7%.

Without fears of immediate inflation in the U.S. economy, the Federal Reserve Bank's Open Market Committee held the federal funds rate unchanged at a target range of 0-1/4 percent. Economists expect the Federal Reserve to increase rates no sooner than November 2010 and it probably will not do so until unemployment levels ease.

Although unemployment remained high, retail sales and industrial production were both up this quarter (1.6% in March and 0.1% in February, respectively), due in some part to higher household incomes and pent-up demand, fueling growth in equity markets. Markets posted strong quarterly gains with all of the major indexes realizing double-digit growth. The Dow Jones Industrial Average (DJIA) index, which measures stocks from 30 industrial “blue-chip” companies, was up 4.11% from the previous quarter; S&P 500, composed of 500 “large-cap” companies across various sectors, was up 5.38%; and NASDAQ, which largely measures technology stocks, was up 5.68%. This quarter marked the strongest first quarter results for the DJIA since 1999 and the strongest for the S&P 500 since 1998.

While short term treasury yields were higher at the end of the quarter, longer term yields were lower by 6 to 12 basis points as shown in the table to the right. Investors continued to demand the safety of U.S. Treasuries, driving up prices slightly (and therefore yields

U.S. Treasury Market					
	12/31/2009	1/31/2010	2/28/2010	3/31/2010	Cumulative Change
3 Month	0.05%	0.07%	0.09%	0.15%	0.10%
6 Month	0.19%	0.14%	0.18%	0.23%	0.04%
1 Year	0.44%	0.27%	0.29%	0.38%	-0.06%
2 Year	1.14%	0.81%	0.81%	1.02%	-0.12%
3 Year	1.68%	1.35%	1.33%	1.57%	-0.11%
4 Year	2.18%	1.84%	1.82%	2.06%	-0.12%
5 Year	2.68%	2.32%	2.30%	2.55%	-0.13%
10 Year	3.84%	3.59%	3.61%	3.82%	-0.02%
30 Year	4.64%	4.49%	4.56%	4.71%	0.07%
LAIF	0.60%	0.56%	0.56%	0.56%	-0.04%

lower). This is attributable to the federal government’s continued phase-out of special lending programs and termination of its program on March 31, 2010 to purchase mortgage-backed securities (MBS). Other factors include investor concerns over the impact of the federal budget deficit (now estimated at over \$1.75 trillion) on economic recovery and the \$940 billion cost of Health Care Reform Act signed near the end of March. Industry analysts remain sharply divided on the direction of treasury yields over the next year indicating continued murkiness of short term economic forecasts.

Investment Activity

As shown in the table on the next page, the City invested \$18 million during the quarter. The purchases consisted of \$11 million in “AAA” rated Federal Agency callable securities and \$7 million in “AAA” rated Federal Agency bullets (non-callable securities). During the quarter, \$12 million of “AAA” rated Federal Agency securities were called and \$10.25 million securities matured, including two corporate notes (Berkshire Hathaway Financial and Toyota Motor Credit Corp).

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	01/13/10	01/13/15	01/13/11	3.180%	3.180%
Federal Home Loan Bank (FHLB)	2,000,000	01/15/10	10/30/12	-	-	1.700%
Federal Home Loan Bank (FHLB)	2,000,000	02/12/10	02/12/15	05/12/10	3.403%	3.022%
Federal Home Loan Bank (FHLB)	2,000,000	02/22/10	12/13/13	-	-	2.130%
Federal National Mortgage Association (FNMA)	1,000,000	03/09/10	03/09/15	09/09/10	3.000%	3.000%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	03/16/10	03/16/15	06/16/10	3.125%	3.125%
Federal National Mortgage Association (FNMA)	2,000,000	03/16/10	09/16/13	09/16/10	2.302%	2.130%
Federal Home Loan Bank (FHLB)	2,000,000	03/26/10	06/08/12	-	-	1.325%
Federal Home Loan Mortgage Corp (FHLMC)	1,000,000	03/26/10	04/25/12	-	-	1.197%
Federal Home Loan Bank (FHLB)	2,000,000	03/30/10	09/30/13	03/30/11	2.000%	2.000%
	18,000,000					
<i>Calls:</i>						
Federal Farm Credit Bank (FFCB)	2,000,000	02/01/08	02/01/13	02/01/10	3.790%	3.790%
Federal Home Loan Bank (FHLB)	2,000,000	02/26/09	02/24/14	02/24/10	3.301%	3.261%
Federal Home Loan Mortgage Corp. (FHLMC)	2,000,000	08/26/09	08/26/14	02/26/10	3.625%	3.625%
Federal Farm Credit Bank (FFCB)	2,000,000	03/04/09	03/02/12	03/02/10	2.370%	2.370%
Federal National Mortgage Association (FNMA)	2,000,000	03/05/08	03/05/13	03/05/10	4.100%	4.100%
Federal Home Loan Bank (FHLB)	2,000,000	09/30/09	09/30/14	03/30/10	2.000%	3.448%
	12,000,000					
<i>Maturities:</i>						
Berkshire Hathaway Fin (BERK)	2,250,000	01/15/08	01/15/10	-	-	3.630%
Federal Home Loan Mortgage Corp. (FHLMC)	2,000,000	01/29/07	01/25/10	-	-	5.122%
Federal Home Loan Bank (FHLB)	1,000,000	10/25/06	02/12/10	-	-	5.117%
Federal Home Loan Bank (FHLB)	1,000,000	07/09/07	03/12/10	-	-	5.268%
Federal Home Loan Bank (FHLB)	2,000,000	06/18/07	03/12/10	-	-	5.382%
Toyota Motor Credit (TOYOTA)	2,000,000	10/19/06	03/15/10	-	-	5.140%
	10,250,000					

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 2.301 percent, compared to 4.091 percent on the quarter's called and matured investments, reflecting lower market rates.

The average rate at which the City earned interest at the Local Agency Investment Fund (LAIF), the State's managed investment pool, was 0.56 percent for the quarter ended March 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

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 19.7 basis points from 2.735 percent at December 31, 2009 to 2.538 percent at March 31, 2010. The book rate of return continues to decline

Mo. Ended	Yield	Days to Maturity
12/31/2009	2.735%	893
01/31/2010	2.590%	867
02/28/2010	2.614%	875
03/31/2010	2.538%	919

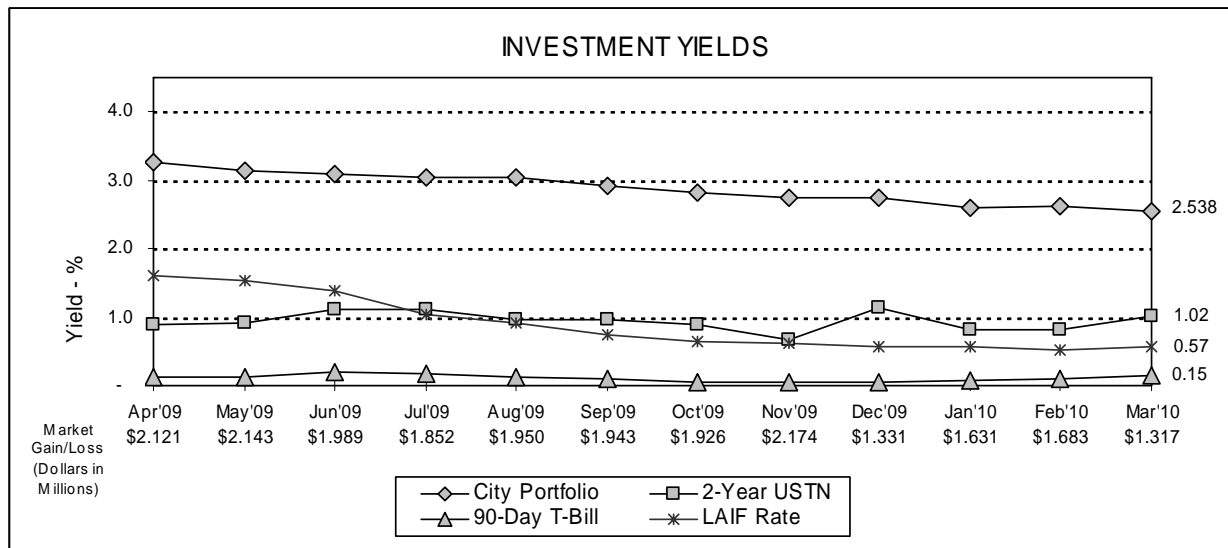
through the attrition of higher-yielding securities, and reinvestment at considerably lower market rates. The portfolio's average days to maturity increased by 26 days from 893 to 919 days which includes the 20-year Airport promissory note authorized by Council in March 2009 and added to the portfolio in July 2009. The portfolio's average days to maturity excluding the Airport note is 627 days, reflecting reinvestment of maturities and calls during the quarter in the one to five year range for regular day-to-day investment activities in accordance with the City's Annual Statement of Investment Policy.

Credit Quality on Corporate Notes

Over the quarter ended March 31, 2010, 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 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 relative to the rate of interest earned on each security held in the portfolio. At March 31, the portfolio had an unrealized market gain of \$1.317 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 NATL MORTGAGE ASSN	\$2,000,000	09/16/2013	-\$6,287	-0.31%
FEDERAL HOME LOAN BANK	\$2,000,000	09/30/2013	-\$4,060	-0.20%
FEDERAL HOME LOAN MTG CORP	\$1,000,000	04/25/2012	-\$350	-0.04%
FEDERAL NATL MORTGAGE ASSN	\$2,000,000	12/30/2014	-\$310	-0.02%

On a quarterly basis, staff also reports all securities with market declines of greater than 1 percent compared to the prior month. At March 31, there are 2 securities reported due to the relative rise in Treasury yields which caused a corresponding decline in market value. Note that both securities shown below have a book-to-market gain, as shown in the column to the far right in the table, in spite of the monthly market decline of greater than 1%.

Issuer	Face Amount	Maturity	Feb-Mar Mkt Change (\$)	Feb-Mar Mkt Change (%)	% Mkt Gain/(Loss) at 03.31.10
FEDERAL FARM CREDIT BANK	\$2,000,000	03/04/13	-\$23,120	-1.12%	2.17%
FEDERAL FARM CREDIT BANK	\$2,000,000	04/08/13	-\$22,500	-1.10%	0.89%

Additional Reporting Requirements

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of March 31, 2010 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 March 31, 2010.

ATTACHMENTS: 1. March 31, 2010, Investment Report
 2. March 31, 2010, 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
March 31, 2010

INVESTMENT ACTIVITY

PURCHASES OR DEPOSITS

3/2 LAIF Deposit - City	\$ 3,000,000
3/5 LAIF Deposit - City	3,500,000
3/9 Federal National Mortgage Association (FNMA)	1,000,000
3/16 Federal National Mortgage Association (FNMA)	2,000,000
3/16 Federal Home Loan Mortgage Corp (FHLMC)	2,000,000
3/22 LAIF Deposit - City	2,000,000
3/26 Federal Home Loan Mortgage Corp (FHLMC)	1,000,000
3/26 Federal Home Loan Bank (FHLB)	2,000,000
3/30 Federal Home Loan Bank (FHLB)	2,000,000
Total	\$ 18,500,000

SALES, MATURITIES, CALLS OR WITHDRAWALS

3/2 Federal Farm Credit Bank (FFCB) - Call	\$ (2,000,000)
3/5 Federal National Mortgage Association (FNMA) - Call	(2,000,000)
3/9 LAIF Withdrawal - City	(1,000,000)
3/11 LAIF Withdrawal - City	(1,000,000)
3/12 Federal Home Loan Bank (FHLB) - Maturity	(1,000,000)
3/12 Federal Home Loan Bank (FHLB) - Maturity	(2,000,000)
3/15 Toyota Motor Credit (TOYOTA) - Maturity	(2,000,000)
3/16 LAIF Withdrawal - City	(2,500,000)
3/25 LAIF Withdrawal - City	(5,000,000)
3/26 LAIF Withdrawal - City	(2,000,000)
3/30 Federal Home Loan Bank (FHLB) - Call	(2,000,000)
3/30 LAIF Withdrawal - City	(1,000,000)
Total	\$ (23,500,000)

ACTIVITY TOTAL

\$ (5,000,000)

INTEREST REVENUE

POOLED INVESTMENTS

Interest Earned on Investments	\$ 323,686
Amortization	354
SBB&T Sweep Account Interest	115
Total	\$ 324,156

RDA INVESTMENTS

Interest Earned on Investments (LAIF)	\$ 11,135
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TOTAL INTEREST EARNED

\$ 335,290

CITY OF SANTA BARBARA
Summary of Cash and Investments
March 31, 2010

ENDING BALANCE AS OF FEBRUARY 28, 2010

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 48,000,000	0.530%	29.42%	1
Certificates of Deposit	4,000,000	1.500%	2.45%	445
Federal Agency Issues - Coupon	95,958,539	3.164%	58.81%	921
Corporate/Medium Term Notes	8,008,171	5.125%	4.91%	213
	<u>155,966,710</u>	<u>2.411%</u>	<u>95.59%</u>	<u>589</u>
SB Airport Promissory Note	7,213,661	7.000%	4.42%	7,061
Totals and Averages	<u>\$ 163,180,371</u>	<u>2.614%</u>	<u>100.00%</u>	<u>875</u>
SBB&T Money Market Account	2,209,682			
Total Cash and Investments	<u>\$ 165,390,053</u>			

NET CASH AND INVESTMENT ACTIVITY FOR MARCH 2010 **\$ (2,675,781)**

ENDING BALANCE AS OF MARCH 31, 2010

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 44,000,000	0.570%	27.82%	1 (1)
Certificates of Deposit	4,000,000	1.500%	2.53%	414
Federal Agency Issues - Coupon	96,957,320	2.982%	61.30%	943
Corporate/Medium Term Notes	6,008,425	5.120%	3.80%	248
	<u>150,965,744</u>	<u>2.325%</u>	<u>95.45%</u>	<u>627</u>
SB Airport Promissory Note	7,213,661	7.000%	4.56%	7,030
Totals and Averages	<u>\$ 158,179,405</u>	<u>2.538%</u>	<u>100.00%</u>	<u>919</u>
SBB&T Money Market Account	4,534,867			
Total Cash and Investments	<u>\$ 162,714,272</u>			

Note:

(1) The average life of the LAIF portfolio as of March 31, 2010 is 213 days.

CITY OF SANTA BARBARA
Investment Portfolio
March 31, 2010

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	QUALITY RATING S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
LOCAL AGENCY INVESTMENT FUNDS											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	0.570	0.570	21,000,000.00	21,000,000.00	21,000,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	0.570	0.570	23,000,000.00	23,000,000.00	23,000,000.00	0.00	
Subtotal, LAIF							44,000,000.00	44,000,000.00	44,000,000.00	0.00	
CERTIFICATES OF DEPOSIT											
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	
Subtotal, Certificates of deposit							4,000,000.00	4,000,000.00	4,000,000.00	0.00	
FEDERAL AGENCY ISSUES - COUPON											
FEDERAL FARM CREDIT BANK	03/06/09	04/24/12	Aaa	AAA	2.250	2.120	2,000,000.00	2,005,177.29	2,042,510.00	37,332.71	
FEDERAL FARM CREDIT BANK	10/14/09	10/14/14	Aaa	AAA	2.875	2.875	2,000,000.00	2,000,000.00	2,007,190.00	7,190.00	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	2,010,632.87	2,082,810.00	72,177.13	
FEDERAL FARM CREDIT BANK	01/29/07	08/25/10	Aaa	AAA	4.750	5.111	2,000,000.00	1,997,382.02	2,036,260.00	38,877.98	
FEDERAL FARM CREDIT BANK	03/04/09	01/17/12	Aaa	AAA	2.000	2.000	2,000,000.00	2,000,000.00	2,034,690.00	34,690.00	
FEDERAL FARM CREDIT BANK	03/05/09	03/04/13	Aaa	AAA	2.600	2.600	2,000,000.00	2,000,000.00	2,043,440.00	43,440.00	
FEDERAL FARM CREDIT BANK	05/08/09	04/08/13	Aaa	AAA	2.200	2.200	2,000,000.00	2,000,000.00	2,017,820.00	17,820.00	
FEDERAL FARM CREDIT BANK	06/19/09	06/18/12	Aaa	AAA	2.125	2.125	2,000,000.00	2,000,000.00	2,035,320.00	35,320.00	
FEDERAL FARM CREDIT BANK	09/30/09	10/03/11	Aaa	AAA	1.125	1.125	2,000,000.00	2,000,000.00	2,005,630.00	5,630.00	
FEDERAL FARM CREDIT BANK	12/01/09	12/01/14	Aaa	AAA	2.840	2.840	2,000,000.00	2,000,000.00	2,002,190.00	2,190.00	Callable 12/01/10, then cont.
FEDERAL FARM CREDIT BANK	01/13/10	01/13/15	Aaa	AAA	3.180	3.180	2,000,000.00	2,000,000.00	2,018,750.00	18,750.00	Callable 1/13/11, then cont.
FEDERAL HOME LOAN BANK	05/22/07	06/10/11	Aaa	AAA	5.250	5.005	2,000,000.00	2,005,208.02	2,104,380.00	99,171.98	
FEDERAL HOME LOAN BANK	07/09/07	02/15/11	Aaa	AAA	4.000	5.308	2,000,000.00	1,979,454.32	2,059,690.00	80,235.68	
FEDERAL HOME LOAN BANK	03/04/09	06/08/12	Aaa	AAA	4.375	2.110	1,700,000.00	1,780,900.78	1,798,285.50	17,384.72	
FEDERAL HOME LOAN BANK	06/30/09	06/30/14	Aaa	AAA	2.000	3.733	2,000,000.00	2,000,000.00	2,034,380.00	34,380.00	StrNt, Callable 6/30/11, once
FEDERAL HOME LOAN BANK	09/17/09	12/13/13	Aaa	AAA	3.125	2.440	2,000,000.00	2,047,838.75	2,080,000.00	32,161.25	
FEDERAL HOME LOAN BANK	01/15/10	10/30/12	Aaa	AAA	1.700	1.700	2,000,000.00	2,000,000.00	2,008,750.00	8,750.00	
FEDERAL HOME LOAN BANK	02/12/10	02/12/15	Aaa	AAA	3.000	3.022	2,000,000.00	1,999,088.89	1,999,690.00	601.11	Callable 5/12/10, then cont.
FEDERAL HOME LOAN BANK	03/30/10	09/30/13	Aaa	AAA	2.000	2.001	2,000,000.00	2,000,000.00	1,995,940.00	(4,060.00)	Callable 3/30/11, once
FEDERAL HOME LOAN BANK	09/14/06	09/29/10	Aaa	AAA	5.125	5.070	1,000,000.00	1,000,229.99	1,023,285.00	23,055.01	
FEDERAL HOME LOAN BANK	05/23/08	06/10/11	Aaa	AAA	3.125	3.520	2,000,000.00	1,991,107.15	2,051,880.00	60,772.85	
FEDERAL HOME LOAN BANK	11/08/06	07/30/10	Aaa	AAA	5.000	5.010	2,000,000.00	1,999,925.51	2,031,570.00	31,644.49	
FEDERAL HOME LOAN BANK	12/18/06	06/22/10	Aaa	AAA	4.500	4.825	2,000,000.00	1,998,668.37	2,019,380.00	20,711.63	
FEDERAL HOME LOAN BANK	06/16/08	12/10/10	Aaa	AAA	3.250	3.800	2,000,000.00	1,992,780.67	2,036,570.00	43,789.33	
FEDERAL HOME LOAN BANK	09/17/09	09/13/13	Aaa	AAA	4.375	2.272	2,000,000.00	2,137,969.25	2,155,940.00	17,970.75	
FEDERAL HOME LOAN BANK	02/22/10	12/13/13	Aaa	AAA	3.125	2.130	2,000,000.00	2,070,321.05	2,080,000.00	9,678.95	

CITY OF SANTA BARBARA
Investment Portfolio
March 31, 2010

DESCRIPTION	PURCHASE	MATURITY	QUALITY RATING		STATED	YIELD AT	FACE	BOOK	MARKET	BOOK	COMMENTS
	DATE	DATE	MOODY'S	S & P							
FEDERAL HOME LOAN BANK	03/26/10	06/08/12	Aaa	AAA	1.375	1.325	2,000,000.00	2,002,146.36	2,004,370.00	2,223.64	
FEDERAL HOME LOAN MTG CORP	04/08/09	04/08/13	Aaa	AAA	2.500	2.526	2,000,000.00	1,998,980.56	2,030,820.00	31,839.44	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	2,021,740.00	21,740.00	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	2,020,426.23	2,032,510.00	12,083.77	
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	2,026,140.00	26,140.00	Callable 5/13/11, once
FEDERAL HOME LOAN MTG CORP	03/16/10	03/16/15	Aaa	AAA	3.125	3.125	2,000,000.00	2,000,000.00	2,005,460.00	5,460.00	Callable 6/16/10, then qtrly
FEDERAL HOME LOAN MTG CORP	05/29/07	07/06/10	Aaa	AAA	4.500	5.070	2,000,000.00	1,997,239.30	2,022,400.00	25,160.70	
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	2,009,240.00	9,240.00	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	2,004,880.00	4,880.00	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	1,935,367.53	1,975,580.00	40,212.47	
FEDERAL HOME LOAN MTG CORP	03/26/10	04/25/12	Aaa	AAA	1.125	1.197	1,000,000.00	998,529.88	998,180.00	(349.88)	
FEDERAL HOME LOAN MTG CORP	05/22/07	09/17/10	Aaa	AAA	3.880	5.015	2,000,000.00	1,990,451.18	2,032,300.00	41,848.82	
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	2,019,180.00	19,180.00	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	2,034,690.00	34,690.00	Callable 3/18/11, once
FEDERAL NATL MORTGAGE ASSN	03/23/09	03/23/12	Aaa	AAA	2.000	2.491	2,000,000.00	2,000,000.00	2,011,260.00	11,260.00	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	1,999,816.67	2,003,120.00	3,303.33	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	2,020,310.00	20,310.00	Callable 9/09/10, once
FEDERAL NATL MORTGAGE ASSN	03/16/10	09/16/13	Aaa	AAA	2.100	2.130	2,000,000.00	1,998,166.67	1,991,880.00	(6,286.67)	Callable 9/16/10, 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	1,999,690.00	(310.00)	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	1,999,510.22	2,004,380.00	4,869.78	
FEDERAL NATL MORTGAGE ASSN	02/27/09	02/24/12	Aaa	AAA	2.250	2.250	2,000,000.00	2,000,000.00	2,027,190.00	27,190.00	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	2,004,070.00	4,070.00	Callable 5/20/10, once
FEDERAL NATL MORTGAGE ASSN	03/09/10	03/09/15	Aaa	AAA	3.000	3.000	1,000,000.00	1,000,000.00	1,001,405.00	1,405.00	Callable 9/09/10, 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	2,003,120.00	3,120.00	StrNt, Callable 4/29/10 cont.
Subtotal, Federal Agencies							96,700,000.00	96,957,319.53	98,090,265.50	1,132,945.97	
CORPORATE/MEDIUM TERM NOTES											
GENERAL ELECTRIC CAPITAL CORP	01/10/07	02/22/11	Aa2	AA+	6.125	5.100	2,000,000.00	2,016,270.93	2,091,640.00	75,369.07	
WELLS FARGO & CO.	05/30/07	01/12/11	A1	AA-	4.875	5.260	2,000,000.00	1,994,565.61	2,072,000.00	77,434.39	
WELLS FARGO & CO.	10/10/06	08/09/10	A1	AA-	4.625	5.000	2,000,000.00	1,997,588.40	2,029,280.00	31,691.60	
Subtotal, Corporate Securities							6,000,000.00	6,008,424.94	6,192,920.00	184,495.06	
SB AIRPORT PROMISSORY NOTE (LT)											
SANTA BARBARA AIRPORT	07/14/09	06/30/29	-	-	7.000	7.000	7,213,660.84	7,213,660.84	7,213,660.84	0.00	
Subtotal, SBA Note							7,213,660.84	7,213,660.84	7,213,660.84	0.00	
TOTALS							157,913,660.84	158,179,405.31	159,496,846.34	1,317,441.03	

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.

CITY OF SANTA BARBARA
Fiscal Agent Investments
March 31, 2010

	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	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
POLICE/FIRE - SVC RETIREMENT FUND											
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
TOTAL FISCAL AGENT INVESTMENTS	<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>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