



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 28, 2008

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: September 30, 2008, Investment Report And September 30, 2008, Fiscal Agent Report

RECOMMENDATION: That Council:

- A. Accept the September 30, 2008, Investment Report; and
- B. Accept the September 30, 2008, Fiscal Agent Report.

DISCUSSION:

The City's investment reporting schedule requires staff to submit a report on the City portfolio on a quarterly basis. Therefore, this report will cover investment activity for July through September, 2008.

During the third calendar quarter, financial markets exhibited increased strain due to continued turmoil in the credit markets, weak job markets, and extreme volatility within the financial sector. The U.S. Government intervened in an unprecedented fashion, to help shore up liquidity and support market confidence. On September 7th, U.S. Treasury Secretary Paulson and the Federal Housing Finance Agency, announced that the government sponsored enterprises Fannie Mae and Freddie Mac, would be placed into conservatorship. Senior bondholders are well protected under the conservatorship, as interest will continue to be paid, and senior debt will retain their "AAA" ratings.

The economy sustained further weakening in labor markets, as job losses increased for the ninth consecutive month in September. The Federal unemployment rate is at a five-year high, at 6.1%, and signals an increasingly tough outlook for consumers.

On September 16, 2008, the Federal Reserve Bank's Open Market Committee decided to keep its target rate for the Federal Funds Rate unchanged at 2.00%. In a post-meeting statement, Fed officials wrote, "Tight credit conditions, the ongoing housing contraction, and some slowing in export growth are likely to weigh on economic growth over the next few quarters. Over time, the substantial easing of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth."

U.S. Treasury Market					
	6/30/2008	7/31/2008	8/31/2008	9/30/2008	Cumulative Change
3 Month	1.90%	1.66%	1.71%	0.90%	-1.00%
6 Month	2.17%	1.86%	1.94%	1.60%	-0.57%
1 Year	2.36%	2.26%	2.16%	1.79%	-0.57%
2 Year	2.63%	2.51%	2.37%	1.96%	-0.67%
3 Year	2.91%	2.80%	2.61%	2.27%	-0.64%
4 Year	3.13%	3.02%	2.85%	2.63%	-0.50%
5 Year	3.34%	3.24%	3.09%	2.98%	-0.36%
10 Year	3.99%	3.95%	3.81%	3.83%	-0.16%
30 Year	4.53%	4.57%	4.42%	4.31%	-0.22%
LAIF	2.89%	2.79%	2.78%	2.77%	-0.12%

Investment Activity

As shown in the table below, the City invested \$11.8 million during the quarter. The City purchased a \$7.8 million promissory note issued by the Airport Fund, and also purchased \$4 million in "AAA" rated Federal Home Loan Bank bullets. \$4 million of "AAA" rated Federal Agency securities were called during the quarter, and the \$5 million of maturities consisted of a \$2 million "AA+" rated corporate note, and \$3 million in "AAA" rated Federal Agency securities. The rate at which the City earned interest at LAIF was 2.77% for the quarter ending September 30, 2008. In order to protect the portfolio from declining interest rates, staff expects to continue to re-invest a portion of the City's LAIF balances in short-term securities during the next quarter.

Issuer	Face Amount	Purchase Date	Final Maturity	Call Date	Yield To Call	Yield To Maturity
<i>Purchases:</i>						
Santa Barbara Airport Promissory Note	\$ 7,800,000	07/01/08	01/01/09	-	-	6.500%
Federal Home Loan Bank (FHLB)	2,000,000	09/25/08	08/18/09	-	-	3.231%
Federal Home Loan Bank (FHLB)	2,000,000	09/25/08	09/25/09	-	-	3.250%
<i>Total Purchases</i>	\$ 11,800,000					
<i>Calls:</i>						
Federal Home Loan Bank (FHLB)	\$ 2,000,000	08/16/06	08/18/10	08/18/08	5.470%	5.470%
Federal Home Loan Bank (FHLB)	1,000,000	08/30/06	09/08/09	09/08/08	5.250%	5.250%
Federal Home Loan Mortgage Corp. (FHLMC)	1,000,000	08/30/06	09/08/11	09/08/08	5.500%	5.500%
<i>Total Calls</i>	\$ 4,000,000					
<i>Maturities:</i>						
Wells Fargo & Co. (WFC)	\$ 2,000,000	02/13/06	08/15/08	-	-	0.0500042
Federal Home Loan Bank (FHLB)	2,000,000	12/29/06	09/12/08	-	-	5.000%
Federal Home Loan Bank (FHLB)	1,000,000	03/24/06	09/23/08	-	-	5.015%
<i>Total Maturities</i>	\$ 5,000,000					

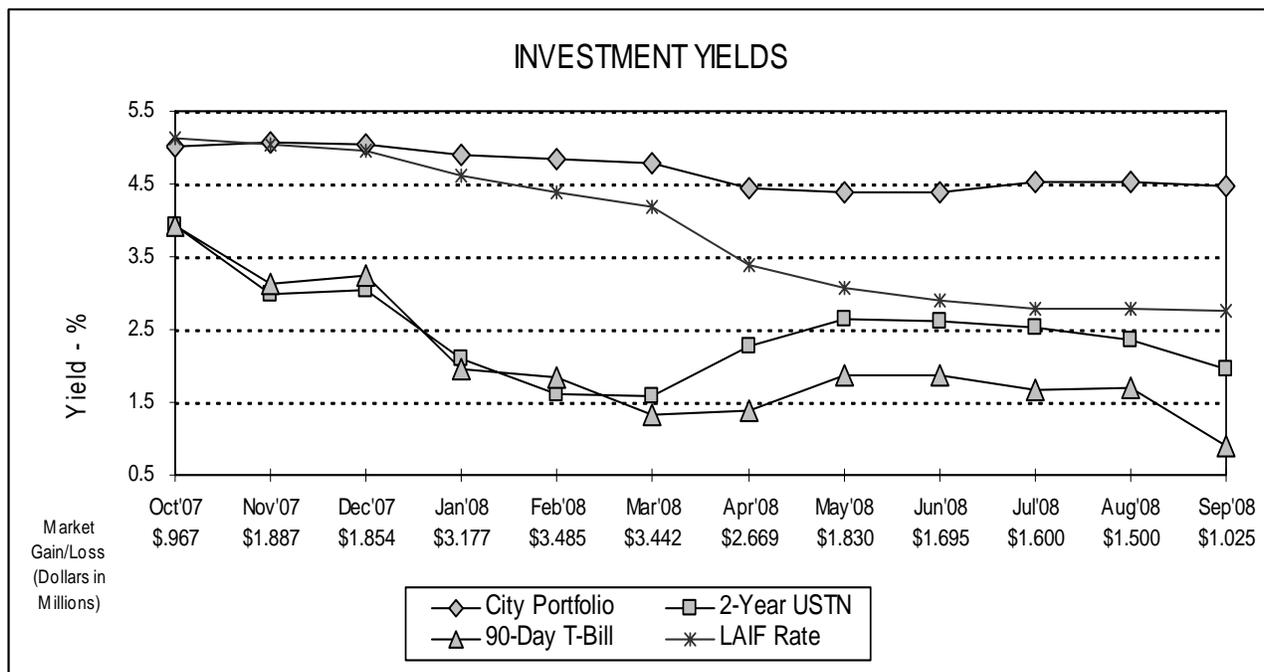
Summary of Cash and Investments

During the quarter, the City's book rate of return increased by 7.9 basis points, from 4.387% at June 30, 2008 to 4.466% at September 30, 2008. The weighted average maturity of the portfolio decreased from 637 to 578 days.

Mo. Ended	Yield	Days to Maturity
6/30/2008	4.387%	637
7/31/2008	4.516%	611
8/31/2008	4.526%	601
9/30/2008	4.466%	578

Portfolio Market Gains/Losses

As shown on the Investment Yields graph below, the City's portfolio reflected an unrealized market gain on September 30th. This can be attributed to the decrease in market yields at quarter-end.



The table below reflects the five securities with the largest percentage of unrealized losses at September 30, 2008. All of the securities shown on the table are "AAA" rated securities with unrealized market losses only because they were purchased at yields lower than the current market.

Issuer	Face Amount	Maturity	\$ Mkt (Loss)	% Mkt (Loss)
General Electric Capital Corp.	\$2,000,000	02/22/11	-\$56,243	-2.75%
Federal Home Loan Bank	\$2,000,000	02/13/13	-\$38,750	-1.94%
Federal Farm Credit Bank	\$2,000,000	02/01/13	-\$34,370	-1.72%
Federal Home Loan Mtg Corp.	\$2,000,000	04/02/12	-\$30,300	-1.52%
Federal Home Loan Bank	\$2,000,000	10/21/11	-\$29,680	-1.48%

The table below shows the five securities with a market decline greater than 1% compared to the prior month. The securities are “AAA”/“AA+” rated corporate notes, all of which had unrealized market gains at August 30, 2008. However, due to the large swings in market pricing at quarter-end, the GECC’s all had unrealized market losses and the Wells Fargo notes had smaller unrealized market gains at September 30, 2008. The unrealized losses on these notes are all less than 3% of their book value.

Issuer	Face Amount	Maturity	Aug-Sept \$ Mkt Change	Aug-Sept % Mkt Change	% Mkt Gain/(Loss) at 9/30/08
General Electric Capital Corp.	\$2,000,000	02/22/11	-\$109,540	-5.22%	-2.75%
General Electric Capital Corp.	\$2,000,000	09/15/09	-\$56,520	-2.79%	-1.08%
Wells Fargo & Co.	\$2,000,000	01/12/11	-\$39,120	-1.92%	0.48%
Wells Fargo & Co.	\$2,000,000	08/09/10	-\$33,180	-1.64%	0.22%
General Electric Capital Corp.	\$1,000,000	06/15/09	-\$15,840	-1.58%	-0.65%
General Electric Capital Corp.	\$2,000,000	06/15/09	-\$30,360	-1.52%	-0.60%

Additional Reporting Requirements

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City’s portfolio as of September 30, 2008 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, 2008.

ATTACHMENTS: 1. September 30, 2008, Investment Report
 2. September 30, 2008, Fiscal Agent Report

SUBMITTED BY: Robert Peirson, Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Activity and Interest Report
September 30, 2008

INVESTMENT ACTIVITY

PURCHASES OR DEPOSITS

09/03	LAIF Deposit/City	\$ 1,200,000
09/05	LAIF Deposit/City	1,100,000
09/08	LAIF Deposit/City	1,500,000
09/09	LAIF Deposit/City	2,000,000
09/15	LAIF Deposit/City	2,800,000
09/23	LAIF Deposit/City	1,000,000
09/25	Federal Home Loan Bank (FHLB)	2,000,000
09/25	Federal Home Loan Bank (FHLB)	2,000,000
09/30	LAIF Deposit/City	1,800,000
	Total	\$ 15,400,000

SALES, MATURITIES, CALLS OR WITHDRAWALS

09/08	Federal Home Loan Bank (FHLB) Call	\$ (1,000,000)
09/08	Federal Home Loan Mortgage Corp. (FHLMC) Call	(1,000,000)
09/11	LAIF Withdrawal/City	(1,800,000)
09/12	Federal Home Loan Bank (FHLB) Maturity	(2,000,000)
09/18	LAIF Withdrawal/City	(1,400,000)
09/23	Federal Home Loan Bank (FHLB) Maturity	(1,000,000)
09/25	LAIF Withdrawal/City	(5,000,000)
09/26	LAIF Withdrawal/City	(2,700,000)
	Total	\$ (15,900,000)

ACTIVITY TOTAL

\$ (500,000)

INTEREST REVENUE

POOLED INVESTMENTS

Interest Earned on Investments	\$ 527,282
Amortization	25,736
SBB&T Sweep Account Interest	1,389
SBB&T Trust Account M/M Interest	287
Total	\$ 554,695

RDA INVESTMENTS

Interest Earned on Investments (LAIF)	\$ 33,468
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TOTAL INTEREST EARNED

\$ 588,162

CITY OF SANTA BARBARA
Summary of Cash and Investments
September 30, 2008

ENDING BALANCE AS OF AUGUST 31, 2008

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 26,650,000	2.779%	16.96%	1
Certificates of Deposit	2,000,000	5.000%	1.27%	78
Treasury Securities - Coupon	3,985,694	4.751%	2.54%	212
Federal Agency Issues - Coupon	99,502,913	4.752%	63.32%	839
Corporate/Medium Term Notes	17,211,070	4.921%	10.95%	524
SB Airport Promissory Note	7,800,000	6.500%	4.96%	122
Totals and Averages	\$ 157,149,678	4.526%	100.00%	601
SBB&T Money Market Account	2,278,751			
Total Cash and Investments	\$ 159,428,428			

NET CASH AND INVESTMENT ACTIVITY FOR SEPTEMBER 2008 **\$ (1,029,917)**

ENDING BALANCE AS OF SEPTEMBER 30, 2008

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 27,150,000	2.770%	17.33%	1 (1)
Certificates of Deposit	2,000,000	5.000%	1.28%	48
Treasury Securities - Coupon	3,988,163	4.751%	2.55%	182
Federal Agency Issues - Coupon	98,531,280	4.671%	62.89%	817
Corporate/Medium Term Notes	17,215,031	4.921%	10.99%	494
SB Airport Promissory Note	7,800,000	6.500%	4.98%	92
Totals and Averages	\$ 156,684,474	4.466%	100.00%	578
SBB&T Money Market Account	1,714,037			
Total Cash and Investments	\$ 158,398,511			

Note:

(1) The average life of the LAIF portfolio as of September 30, 2008 is 214 days.

CITY OF SANTA BARBARA
Investment Portfolio
September 30, 2008

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	-	-	-	-	2.770	2.770	12,450,000.00	12,450,000.00	12,450,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	2.770	2.770	14,700,000.00	14,700,000.00	14,700,000.00	0.00	
Subtotal, LAIF							<u>27,150,000.00</u>	<u>27,150,000.00</u>	<u>27,150,000.00</u>	<u>0.00</u>	
CERTIFICATES OF DEPOSIT											
MONTECITO BANK & TRUST	11/18/06	11/18/08	-	-	5.000	5.000	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
Subtotal, Certificates of deposit							<u>2,000,000.00</u>	<u>2,000,000.00</u>	<u>2,000,000.00</u>	<u>0.00</u>	
TREASURY SECURITIES - COUPON											
U S TREASURY NOTE	05/19/06	05/15/09	Aaa	AAA	4.875	5.000	2,000,000.00	1,998,577.20	2,038,590.00	40,012.80	
U S TREASURY NOTE	02/01/06	02/15/09	Aaa	AAA	3.000	4.501	2,000,000.00	1,989,586.15	2,012,190.00	22,603.85	
Subtotal, Treasury Securities							<u>4,000,000.00</u>	<u>3,988,163.35</u>	<u>4,050,780.00</u>	<u>62,616.65</u>	
FEDERAL AGENCY ISSUES - COUPON											
FEDERAL FARM CREDIT BANK	03/07/06	04/15/09	Aaa	AAA	4.125	5.000	2,000,000.00	1,991,348.09	2,010,000.00	18,651.91	
FEDERAL FARM CREDIT BANK	08/17/06	08/17/09	Aaa	AAA	5.125	5.150	2,000,000.00	1,999,596.22	2,034,070.00	34,473.78	
FEDERAL FARM CREDIT BANK	11/07/06	01/18/11	Aaa	AAA	5.750	5.000	2,000,000.00	2,030,638.95	2,104,370.00	73,731.05	
FEDERAL FARM CREDIT BANK	06/02/06	02/18/09	Aaa	AAA	5.260	5.280	2,000,000.00	1,999,876.48	2,016,570.00	16,693.52	
FEDERAL FARM CREDIT BANK	08/28/06	12/17/08	Aaa	AAA	3.700	5.170	2,000,000.00	1,994,207.86	2,002,500.00	8,292.14	
FEDERAL FARM CREDIT BANK	01/29/07	08/25/10	Aaa	AAA	4.750	5.111	2,000,000.00	1,987,564.60	2,052,820.00	65,255.40	
FEDERAL FARM CREDIT BANK	01/29/07	01/22/09	Aaa	AAA	5.010	5.150	2,000,000.00	1,999,184.24	2,011,880.00	12,695.76	
FEDERAL FARM CREDIT BANK	02/01/08	02/01/13	Aaa	AAA	3.790	3.790	2,000,000.00	2,000,000.00	1,965,630.00	(34,370.00)	Callable 2/01/10, then cont.
FEDERAL HOME LOAN BANK	10/25/06	02/12/10	Aaa	AAA	3.875	5.117	1,000,000.00	984,570.94	1,008,440.00	23,869.06	
FEDERAL HOME LOAN BANK	12/18/06	11/03/09	Aaa	AAA	3.500	4.834	2,000,000.00	1,973,147.05	2,005,630.00	32,482.95	
FEDERAL HOME LOAN BANK	05/22/07	06/10/11	Aaa	AAA	5.250	5.005	2,000,000.00	2,011,763.58	2,088,440.00	76,676.42	
FEDERAL HOME LOAN BANK	07/09/07	02/15/11	Aaa	AAA	4.000	5.308	2,000,000.00	1,944,120.99	2,026,250.00	82,129.01	
FEDERAL HOME LOAN BANK	07/09/07	03/12/10	Aaa	AAA	5.000	5.268	1,000,000.00	996,358.95	1,024,530.00	28,171.05	
FEDERAL HOME LOAN BANK	02/13/08	02/13/13	Aaa	AAA	3.850	4.001	2,000,000.00	2,000,000.00	1,961,250.00	(38,750.00)	Continuously callable
FEDERAL HOME LOAN BANK	09/14/06	09/29/10	Aaa	AAA	5.125	5.070	1,000,000.00	1,000,927.73	1,032,505.00	31,577.27	
FEDERAL HOME LOAN BANK	05/10/07	11/10/10	Aaa	AAA	5.125	5.125	2,000,000.00	2,000,000.00	2,005,000.00	5,000.00	Callable 11/10/08, once
FEDERAL HOME LOAN BANK	05/21/07	06/12/09	Aaa	AAA	5.250	5.000	2,000,000.00	2,003,245.05	2,028,440.00	25,194.95	
FEDERAL HOME LOAN BANK	04/02/08	04/02/13	Aaa	AAA	4.150	4.150	2,000,000.00	2,000,000.00	1,991,250.00	(8,750.00)	Callable 1/02/09, then qtrly
FEDERAL HOME LOAN BANK	04/21/08	10/21/11	Aaa	AAA	3.125	3.125	2,000,000.00	2,000,000.00	1,970,320.00	(29,680.00)	Callable 7/21/09, once
FEDERAL HOME LOAN BANK	04/22/08	04/22/13	Aaa	AAA	4.000	4.112	2,000,000.00	1,994,416.67	1,965,310.00	(29,106.67)	Callable 4/22/09, then qtrly
FEDERAL HOME LOAN BANK	05/23/08	06/10/11	Aaa	AAA	3.125	3.520	2,000,000.00	1,979,913.35	1,971,870.00	(8,043.35)	
FEDERAL HOME LOAN BANK	09/25/08	08/18/09	Aaa	AAA	3.750	3.231	2,000,000.00	2,008,891.70	2,010,310.00	1,418.30	
FEDERAL HOME LOAN BANK	02/17/06	02/17/11	Aaa	AAA	5.020	5.020	2,000,000.00	2,000,000.00	2,014,070.00	14,070.00	Callable 2/17/09, once
FEDERAL HOME LOAN BANK	06/02/06	12/12/08	Aaa	AAA	4.750	5.270	1,000,000.00	999,049.69	1,003,285.00	4,235.31	

CITY OF SANTA BARBARA
Investment Portfolio
September 30, 2008

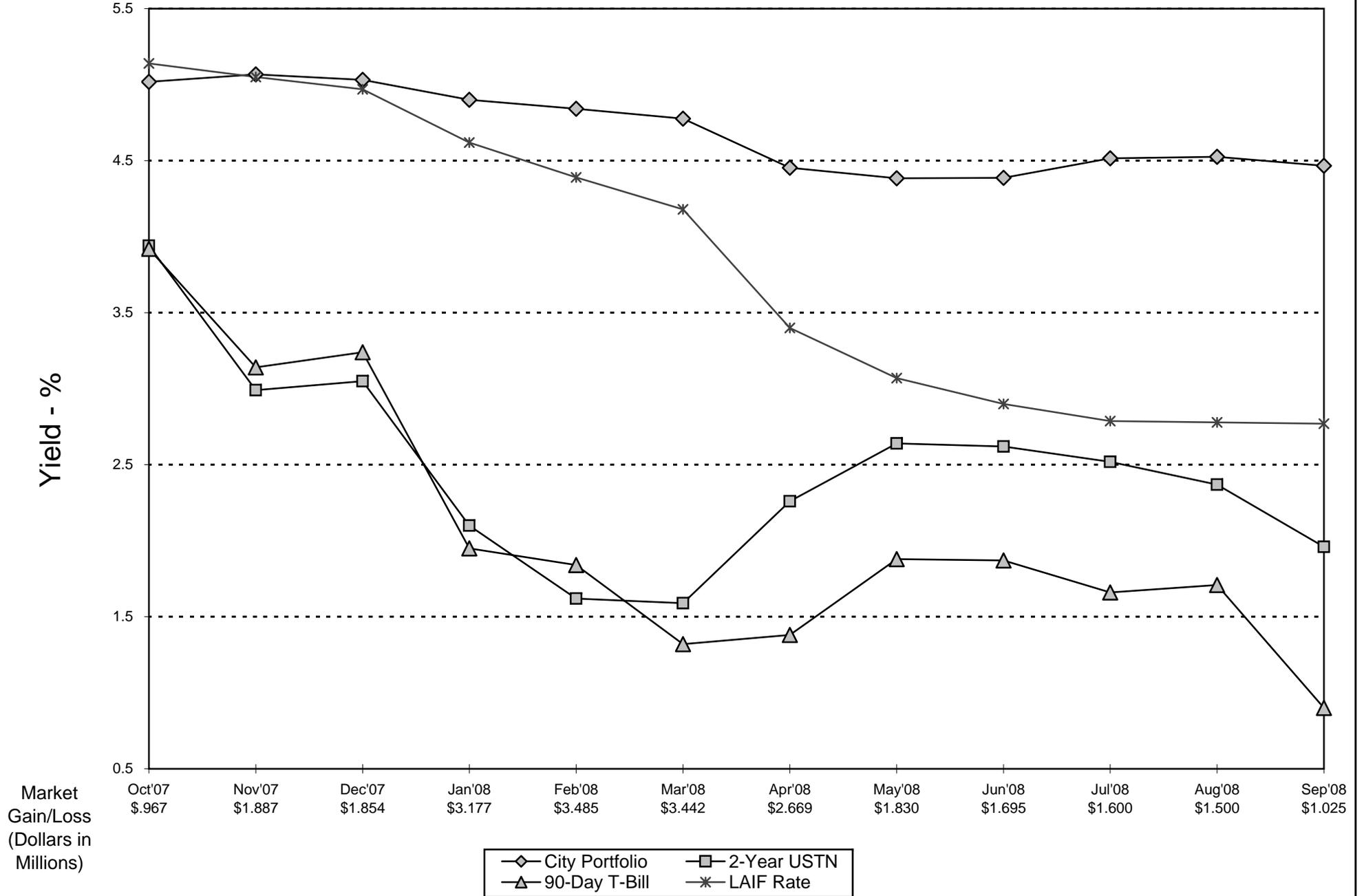
DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	QUALITY RATING S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
FEDERAL HOME LOAN BANK	10/18/06	09/11/09	Aaa	AAA	5.250	5.060	1,000,000.00	1,001,600.58	1,018,440.00	16,839.42	
FEDERAL HOME LOAN BANK	11/07/06	10/26/09	Aaa	AAA	5.000	5.000	2,345,000.00	2,344,983.11	2,390,434.38	45,451.27	
FEDERAL HOME LOAN BANK	11/08/06	07/30/10	Aaa	AAA	5.000	5.010	2,000,000.00	1,999,587.51	2,060,320.00	60,732.49	
FEDERAL HOME LOAN BANK	12/06/06	12/12/08	Aaa	AAA	5.000	4.700	2,000,000.00	2,001,095.32	2,007,500.00	6,404.68	
FEDERAL HOME LOAN BANK	12/18/06	06/22/10	Aaa	AAA	4.500	4.825	2,000,000.00	1,989,790.84	2,040,320.00	50,529.16	
FEDERAL HOME LOAN BANK	05/21/07	05/15/09	Aaa	AAA	4.250	5.005	1,450,000.00	1,443,585.88	1,459,744.00	16,158.12	
FEDERAL HOME LOAN BANK	06/18/07	03/12/10	Aaa	AAA	4.875	5.382	2,000,000.00	1,986,445.53	2,045,630.00	59,184.47	
FEDERAL HOME LOAN BANK	05/22/08	05/22/13	Aaa	AAA	4.350	4.350	2,000,000.00	2,000,000.00	1,998,750.00	(1,250.00)	Callable 05/22/09, then qtrly
FEDERAL HOME LOAN BANK	06/16/08	12/10/10	Aaa	AAA	3.250	3.800	2,000,000.00	1,977,124.30	1,993,130.00	16,005.70	
FEDERAL HOME LOAN BANK	09/25/08	09/25/09	Aaa	AAA	3.250	3.250	2,000,000.00	2,000,000.00	2,002,500.00	2,500.00	
FEDERAL HOME LOAN MTG CORP	03/26/08	03/26/13	Aaa	AAA	4.200	4.200	2,000,000.00	2,000,000.00	1,998,760.00	(1,240.00)	Callable 3/26/09, then qtrly
FEDERAL HOME LOAN MTG CORP	04/16/08	04/16/13	Aaa	AAA	4.000	4.000	2,000,000.00	2,000,000.00	1,984,140.00	(15,860.00)	Callable 10/16/08, then qtrly
FEDERAL HOME LOAN MTG CORP	09/14/06	09/01/09	Aaa	AAA	4.125	5.070	1,000,000.00	992,042.27	1,006,830.00	14,787.73	
FEDERAL HOME LOAN MTG CORP	11/30/06	11/14/11	Aaa	AAA	5.350	5.250	2,000,000.00	2,000,522.84	2,004,760.00	4,237.16	Callable 11/14/08, once
FEDERAL HOME LOAN MTG CORP	05/29/07	07/06/10	Aaa	AAA	4.500	5.070	2,000,000.00	1,981,546.91	2,041,980.00	60,433.09	
FEDERAL HOME LOAN MTG CORP	10/15/07	10/15/12	Aaa	AAA	5.050	5.050	2,000,000.00	2,000,000.00	2,039,760.00	39,760.00	Callable 10/15/09, once
FEDERAL HOME LOAN MTG CORP	04/02/08	04/02/12	Aaa	AAA	3.375	3.375	2,000,000.00	2,000,000.00	1,969,700.00	(30,300.00)	Callable 4/02/09, once
FEDERAL HOME LOAN MTG CORP	06/04/08	06/04/13	Aaa	AAA	4.550	4.550	5,000,000.00	5,000,000.00	5,008,900.00	8,900.00	Callable quarterly
FEDERAL HOME LOAN MTG CORP	01/29/07	01/25/10	Aaa	AAA	4.375	5.122	2,000,000.00	1,981,973.90	2,028,460.00	46,486.10	
FEDERAL HOME LOAN MTG CORP	04/20/07	04/20/12	Aaa	AAA	5.250	5.250	2,000,000.00	2,000,000.00	2,025,140.00	25,140.00	Callable 4/20/09, once
FEDERAL HOME LOAN MTG CORP	05/22/07	09/17/10	Aaa	AAA	3.880	5.015	2,000,000.00	1,959,388.75	2,025,820.00	66,431.25	
FEDERAL HOME LOAN MTG CORP	01/09/08	01/09/12	Aaa	AAA	4.250	4.250	2,000,000.00	2,000,000.00	2,005,820.00	5,820.00	Callable 1/09/09, then qtrly
FEDERAL NATL MORTGAGE ASSN	04/27/06	04/20/10	Aaa	AAA	4.750	5.270	2,000,000.00	1,985,590.05	2,043,750.00	58,159.95	
FEDERAL NATL MORTGAGE ASSN	01/12/07	02/24/09	Aaa	AAA	3.740	5.000	2,000,000.00	1,990,594.28	2,004,070.00	13,475.72	
FEDERAL NATL MORTGAGE ASSN	04/17/07	03/06/09	Aaa	AAA	4.625	5.001	2,000,000.00	1,996,927.39	2,011,880.00	14,952.61	
FEDERAL NATL MORTGAGE ASSN	05/21/07	11/03/08	Aaa	AAA	4.900	5.100	2,000,000.00	1,999,657.93	2,003,120.00	3,462.07	
FEDERAL NATL MORTGAGE ASSN	03/05/08	03/05/13	Aaa	AAA	4.100	4.100	2,000,000.00	2,000,000.00	1,996,880.00	(3,120.00)	Callable 3/05/10, once
Subtotal, Federal Agencies							98,795,000.00	98,531,279.53	99,521,278.38	989,998.85	
CORPORATE/MEDIUM TERM NOTES											
BERKSHIRE HATHAWAY FIN	01/15/08	01/15/10	Aaa	AAA	4.125	3.630	2,250,000.00	2,263,717.00	2,258,730.00	(4,987.00)	
GENERAL ELECTRIC CAPITAL CORP	01/10/07	02/22/11	Aaa	AAA	6.125	5.100	2,000,000.00	2,043,642.59	1,987,400.00	(56,242.59)	
GENERAL ELECTRIC CAPITAL CORP	08/15/06	09/15/09	Aaa	AAA	4.625	5.300	2,000,000.00	1,988,217.23	1,966,820.00	(21,397.23)	
GENERAL ELECTRIC CAPITAL CORP	02/10/06	06/15/09	Aaa	AAA	4.000	5.000	1,000,000.00	993,565.68	987,150.00	(6,415.68)	
GENERAL ELECTRIC CAPITAL CORP	04/17/07	06/15/09	Aaa	AAA	3.250	5.060	2,000,000.00	1,976,062.62	1,964,200.00	(11,862.62)	
TOYOTA MOTOR CREDIT	02/28/06	12/15/08	Aaa	AAA	5.500	5.016	2,000,000.00	2,001,822.44	2,000,000.00	(1,822.44)	
TOYOTA MOTOR CREDIT	10/19/06	03/15/10	Aaa	AAA	4.250	5.140	2,000,000.00	1,976,467.01	2,037,780.00	61,312.99	
WELLS FARGO & CO.	05/30/07	01/12/11	Aa1	AA+	4.875	5.260	2,000,000.00	1,984,122.29	1,993,720.00	9,597.71	

**CITY OF SANTA BARBARA
Investment Portfolio
September 30, 2008**

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
WELLS FARGO & CO.	10/10/06	08/09/10	Aa1	AA+	4.625	5.000	2,000,000.00	1,987,414.45	1,991,720.00	4,305.55	
Subtotal, Corporate Securities							17,250,000.00	17,215,031.31	17,187,520.00	(27,511.31)	
SB AIRPORT PROMISSORY NOTE											
SANTA BARBARA AIRPORT	07/01/08	01/01/09	-	-	6.500	6.500	7,800,000.00	7,800,000.00	7,800,000.00	0.00	
Subtotal, SBA Note							7,800,000.00	7,800,000.00	7,800,000.00	0.00	
TOTALS							156,995,000.00	156,684,474.19	157,709,578.38	1,025,104.19	

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, 2008**

	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	205.43	-	-	-	-	-	-	-	205.43	205.43
2002 Municipal Improvement - Refunding COPs	6,944.07	547,530.00	-	-	-	-	-	-	554,474.07	554,474.07
2002 Water - Refunding COPs	9,147.12	1,088,268.76	-	-	-	-	-	-	1,097,415.88	1,097,415.88
1994 Water - Revenue Bonds	20,293.18	757,680.00	-	-	-	-	-	-	777,973.18	777,973.18
2002 Waterfront - Reference COPs	973,144.97	1,393,262.50	-	-	-	-	-	-	2,366,407.47	2,366,407.47
1992 Seismic - Safety Bonds	87,888.98	-	-	-	-	-	-	-	87,888.98	87,888.98
Subtotal, Reserve Funds	1,097,623.75	3,786,741.26	-	-	-	-	-	-	4,884,365.01	4,884,365.01
<i>PROJECT FUNDS</i>										
2001 RDA Bonds	3,510,204.73	-	-	-	-	-	-	-	3,510,204.73	3,510,204.73
2003 RDA Bonds	54.05	25,221,374.42	-	-	-	-	-	-	25,221,428.47	25,221,428.47
2004 Sewer Revenue Bonds	5,021,242.90	1,357,140.00	-	-	-	-	-	-	6,378,382.90	6,378,382.90
Subtotal, Project Funds	8,531,501.68	26,578,514.42	-	-	-	-	-	-	35,110,016.10	35,110,016.10
Subtotal Bond Funds	9,629,125.43	30,365,255.68	-	-	-	-	-	-	39,994,381.11	39,994,381.11
POLICE/FIRE - SVC RETIREMENT FUND										
Police/Fire Funds	30,344.30	-	215,947.05	282,529.25	25,330.00	24,937.50	130,900.00	130,487.60	402,521.35	468,298.65
	30,344.30	-	215,947.05	282,529.25	25,330.00	24,937.50	130,900.00	130,487.60	402,521.35	468,298.65
TOTAL FISCAL AGENT INVESTMENTS	<u>9,659,469.73</u>	<u>30,365,255.68</u>	<u>215,947.05</u>	<u>282,529.25</u>	<u>25,330.00</u>	<u>24,937.50</u>	<u>130,900.00</u>	<u>130,487.60</u>	<u>40,396,902.46</u>	<u>40,462,679.76</u>

Notes:

- (1) Cash & cash equivalents include money market funds.
- (2) Market values have been obtained from the following trustees: U S Bank, Bank of New York and Santa Barbara Bank & Trust