

CITY OF YUBA CITY
STAFF REPORT

Date: August 7, 2007
To: Honorable Mayor & Members of the City Council
From: City Treasurer
Presentation By: Steven C. Kroeger, Assistant City Manager/City Treasurer

Summary

Subject: Presentation of Treasurer's Report – Quarter Ended June 30, 2007
Recommendation: Note & File Quarterly Treasurer's Report
Fiscal Impact: Informational item only

Background:

In accordance with the City's adopted Investment Policies, staff has prepared the attached investment report for City Council review for the previous quarter (April, May, June).

Analysis:

Portfolio Highlights:

- As of June 30, 2007, the City's overall investment portfolio (estimated market value) totaled \$129,600,422, an increase of roughly \$13.2 million since the previous quarter.
- Notable transactions during the quarter that affected cash flows included: 1) the issuance of \$16 million in Redevelopment Agency Tax Allocation Bonds; and 2) Capital improvement project payments attributable to the Water Treatment Plant and Gauche Aquatic Park projects.
- The Portfolio shows a "paper gain" of \$88,679 as of June 30th. This represents the amount of money that the City would gain if it were to liquidate its entire portfolio at the end of the reporting period. However, such gains might not be realized if the investments are held until maturity (which is the City's historical investment strategy).
- The City's cash flow needs will be met by the roughly \$47.0 million as of June 30th (approximately 50.9% of the "City Held Investments" portfolio value) that is currently invested in LAIF, CAMP and in the City's Wells Fargo account, which are wholly liquid.

Economic Overview:

The Federal Open Market Committee continued its year-long pause at the end of June, keeping the Federal fund rate at 5.25%. The committee stated that "growth appears to have been moderate" despite the ongoing housing market correction.

The 10-year US Treasury market briefly touched 5.30%, its highest level in five years, before sub-prime mortgage market fears drove yields down.

The Federal Reserve has reiterated its view that the year will be characterized by moderate growth with some risk of inflation above targets. This outlook provides no basis for Fed easing, and, if it holds, is likely to cause continued modest upward adjustment in rates. A sharp slow-down or mortgage market woes could cause the Fed to reduce rates; otherwise, markets are likely to be range-bound for some time.

Investment Overview:

The overall maturity of the City held funds portfolio ("weighted average years") decreased this quarter from .916 years to .856 years. This is mainly attributable to the investment of the recent Redevelopment Agency Tax Allocation Bonds that have been invested in the California Asset Management Program, which has a daily maturity. Those funds are being placed in Investment Agreements and so the Portfolio's maturity will be re-extended. Staff continues to evaluate the purchase of longer term investments to lengthen the overall maturity of the portfolio. With uncertainty regarding future interest rates, longer term investments have been purchased to continue to "lock in" a portion of the portfolio.

Historically, the City has maintained roughly 50% of its non-Trustee held investments in wholly liquid accounts (funds can be drawn upon at any time). Currently, 50.9% of the portfolio is liquid. Given the flattening yield curve (between current to five year maturities), this situation is neutral to overall returns.

Summary:

The City's overall portfolio returns are consistent with current market conditions. The portfolio's earnings are within the expectations contained in the adopted budget. Each investment continues to be in compliance with State law and the City's formal Investment Policies.

Fiscal Impact:

Informational Item only.

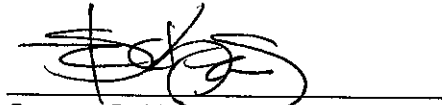
Alternatives:

Not Applicable.

Recommendation:

Staff recommends that Council note and file the Quarterly Treasurer's Report for the period ending June 30, 2007.

Prepared By:



Steven C. Kroeger
Assistant City Manager/City Treasurer

Submitted By:



Steven R. Jepsen
City Manager

Reviewed By:

Finance





City of Yuba City

Treasurer's Quarterly
Investment Report

June 30, 2007

**City of Yuba City Treasurer's Report
June 30, 2007**

Investment Summary

Account Types	Balance 6/30/2007
City Held Investments	
Cash & Cash Equivalent	\$ 47,030,922
Local Agency Investment Fund	28,978,354
California Asset Management Program	16,197,857
Cash/Money Market	1,854,711
Federal Agency Securities	31,197,800
US Treasuries	7,700,842
Commercial Paper	3,449,505
Corporate Paper	2,949,185
PG&E/SCIP Escrow Account	495,609
City-held Assessment Districts	597,319
Total City Held Investments	\$ 93,421,182
Trustee Held Investments	
Wastewater Revenue Certificates - 2000	\$ 30,869
Buttes Vista AD - 2000	171,370
Water Revenue Certificates - 2001	373,305
Wastewater Revenue Certificates - 2002	1,007,481
Buttes Vista AD - 2002	158,890
Tierra Buena AD - 2003	458,093
RDA Tax Allocation Series A - 2004	7,550,676
Housing Set Aside Series B - 2004	2,824,352
Sunsweet Blvd CFD - 2004	658,550
Water Revenue Certificates - 2005	2,916,499
Gauche Park COP - 2006	4,315,352
RDA Tax Allocation 2007	15,713,803
Total Trustee Held Investments	\$ 36,179,240
Total	\$ 129,600,422

City of Yuba City Treasurer's Report June 30, 2007

The following table provides a comparison of the portfolio for the quarter ended June 30, 2007, and the previous quarters ended September and December 2006, and March 2007.

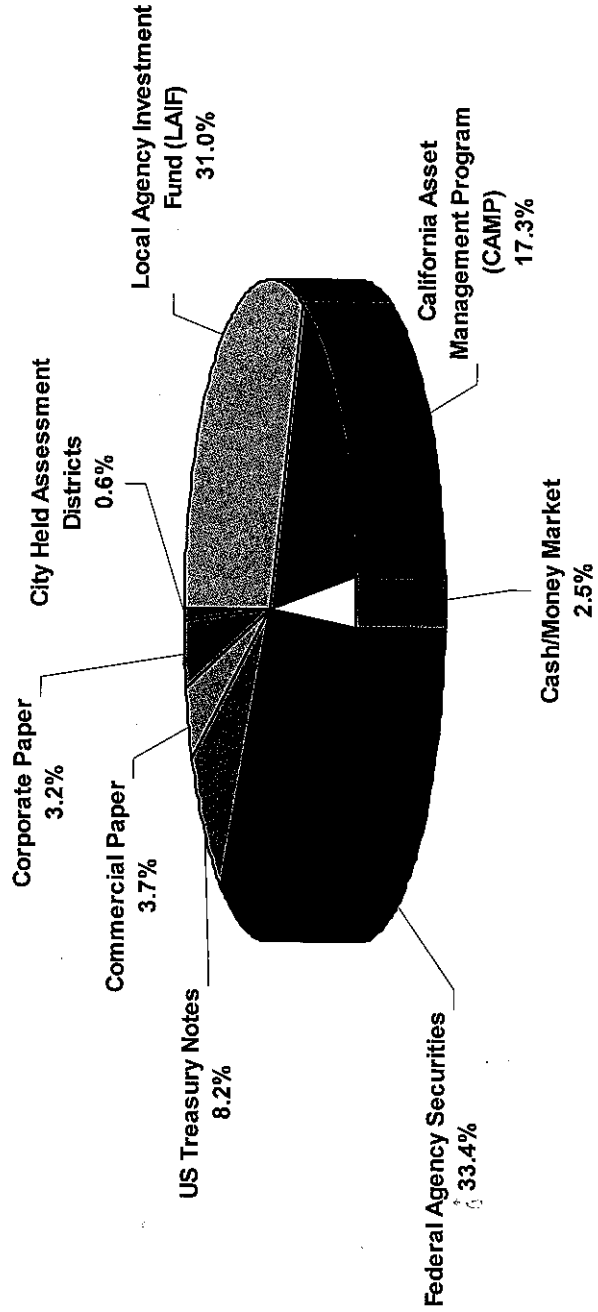
City of Yuba City Portfolio Comparison				
	9/30/06	12/31/06	03/31/07	06/30/07
Cost Basis	\$121,094,736	\$112,418,616	\$116,110,633	\$129,511,743
Estimated Market Value	121,104,837	112,475,715	116,384,061	129,600,422
Unrealized Gains/(Losses) (1)	10,101	57,099	273,428	88,679
Weighted Average Yield to Maturity at Market	4.558%	4.597%	4.880%	4.561%
Weighted Average Years: Maturity of City Held Funds	0.804 years	0.845 years	0.916 years	0.856 years
Weighted Average Years: Maturity of Trustee Funds	1.424 years	1.424 years	1.613 years	0.554 years
Liquidity	47.4%	47.2%	47.6%	50.9%
CPI (Annualized)	2.10%	2.50%	2.80%	2.70%
LAIIF Interest Rate	5.023%	5.13%	5.21%	5.25%
CAMP Interest Rate	5.210%	5.20%	5.22%	5.21%

Note: (1) This represents the amount of money that the City would gain if it were to liquidate its entire portfolio at the end of the reporting period. However, such gains might not be realized if the investments are held until maturity (which is the City's historical investment strategy).

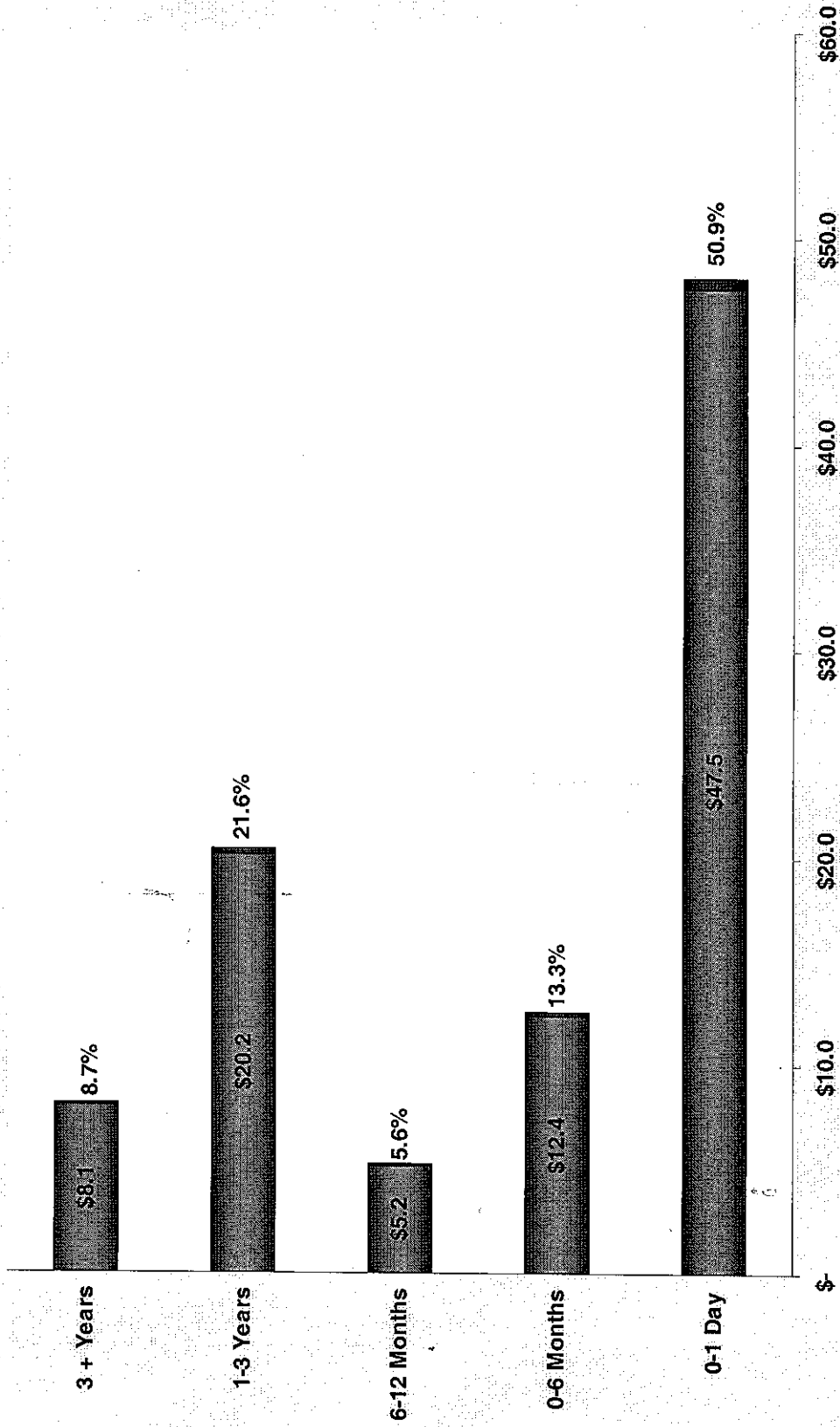
City of Yuba City Treasurer's Report June 30, 2007

Composition of City Held Investments

Account Types	Market Value	%
Local Agency Investment Fund (LAIF)	\$ 28,978,354	31.0%
California Asset Management Program (CAMP)	16,197,857	17.3%
Cash/Money Market	2,350,320	2.5%
Federal Agency Securities	31,197,799	33.4%
US Treasury Notes	7,700,843	8.2%
Commercial Paper	3,449,505	3.7%
Corporate Paper	2,949,185	3.2%
City Held Assessment Districts	597,319	0.6%
Total	\$ 93,421,182	100.0%



City Held Investment Portfolio Maturity Distribution



**City of Yuba City
Monthly Investment Statement
June 2007**

**City Held Investments
(Listed in Order of Maturity Date)**

No.	Description of Security	Issuing Institution	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
1	Local Agency Investment Fund (LAIF)	State Treasurer	Daily	5.250%	5.250%	\$ 28,978,354	\$ 28,978,354	\$ -
2	Calif. Asset Management Program (CAMP)	CAMP	Daily	5.210%	5.210%	16,197,857	16,197,857	-
3	Wells Fargo Money Market & Checking Accts.	Wells Fargo	Daily (Sweep)	4.331%	4.331%	1,222,107	1,222,107	-
4	PG&E SGIP Escrow Account	Union Bank	Daily	4.750%	4.750%	495,609	495,609	-
5	Highmark Money Market	Union Bank	Daily	4.750%	4.750%	632,604	632,604	-
6	General Electric	General Electric	07/05/07	5.080%	5.080%	999,560	999,560	2,901
7	UBS Financial	UBS Financial	07/05/07	5.120%	5.120%	996,633	999,560	2,927
8	Federal Natl Mtg Corp Disc Notes	Lehman Bros.	07/16/07	5.317%	5.140%	976,391	998,000	21,609
9	Toyota Mtr Credit Co	Toyota Mtr Credit Co	08/03/07	5.340%	5.340%	372,095	372,250	155
10	Bank of America Corp	Bank of America Corp	08/03/07	5.370%	5.370%	1,077,653	1,078,136	483
11	Federal Home Ln Bks	JPMChase	08/08/07	4.625%	4.630%	993,964	999,060	5,096
12	Fed Home Ln Bank Bonds	CitiGroup	08/10/07	3.320%	3.330%	1,000,000	997,810	(2,190)
13	FHLMC Reference Notes	JPMChase	08/17/07	4.000%	4.010%	494,116	499,065	4,950
14	Fed Home Ln Bank Bonds	CitiGroup	08/24/07	3.270%	3.280%	1,000,000	996,880	(3,120)
15	Federal Natl Mtg Assn	CitiGroup	08/31/07	5.189%	5.070%	479,079	495,750	16,671
16	Fed Home Ln Bank Bonds	Sec America	09/28/07	4.100%	4.110%	1,000,000	996,560	(3,440)
17	Fed Home Ln Bank Bonds	CitiGroup	10/04/07	4.125%	4.140%	1,000,000	996,880	(3,120)
18	US Treasury Notes	Morgan Stanley	10/31/07	4.250%	4.260%	997,031	997,890	859
19	Federal Natl Mtg Assn Disc Notes	UBS Financial Svcs	12/28/07	5.270%	5.210%	953,706	974,800	21,094
20	US Treasury Notes	CitiGroup	01/31/08	4.375%	4.390%	992,422	996,720	4,298
21	Federal Home Ln Mtge Corp Nts	Bear Sterns	02/21/08	4.625%	4.650%	992,429	995,310	2,881
22	Federal Natl Mtg Assn Notes	UBS Financial Svcs	02/22/08	3.860%	3.900%	492,600	495,315	2,715
23	Federal Home Ln Mtge Corp	Bank of America	04/18/08	5.125%	5.130%	500,106	499,220	(886)
24	US Treasury Notes	Merrill Lynch	04/30/08	4.875%	4.880%	748,477	749,003	526
25	Federal Natl Mtg Assn	UBS Financial Svcs	05/19/08	2.875%	2.940%	477,575	489,375	11,800
26	Federal Home Ln Mtge Corp Nts	Bear Sterns	06/03/08	2.850%	2.910%	953,470	978,210	24,740
27	Federal Farm Cr Bks	Merrill Lynch	07/15/08	3.375%	3.440%	959,880	980,940	21,060
28	Federal Natl Mtg Assn	UBS Financial Svcs	08/15/08	3.250%	3.320%	971,240	978,130	6,890
29	Fed Home Ln Bank Bonds	Sec America	09/02/08	4.000%	4.060%	1,000,000	985,630	(14,370)
30	US Treasury Notes	Bank of America	09/15/08	3.125%	3.190%	959,922	978,440	18,518
31	US Treasury Notes	Merrill Lynch	09/15/08	3.125%	3.190%	479,531	489,220	9,689
32	Fed Home Ln Mtg Corp Notes	Merrill Lynch	11/03/08	5.010%	4.920%	996,870	995,950	(920)
33	Federal Farm Cr BKS Cons	PFM Asset Mgmt	11/20/08	4.875%	4.900%	995,486	995,310	(176)
34	Morgan Stanley	Morgan Stanley	01/15/09	3.875%	3.960%	489,120	489,315	195
35	US Treasury Notes	Bank of America	01/31/09	4.875%	4.880%	997,969	998,670	701

**City of Yuba City
Monthly Investment Statement
June 2007**

**City Held Investments
(Listed in Order of Maturity Date)**

No.	Description of Security	Issuing Institution	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
36	Wachovia Corp	Wachovia Corp	02/17/09	3.625%	3.720%	486,965	486,865	(100)
37	Federal Natl Mtg Assn	Banc of America	03/16/09	3.125%	3.230%	472,510	483,125	10,615
38	Federal Natl Mtg Assn	Banc of America	04/15/09	4.875%	4.900%	990,470	994,380	3,910
39	US Treasury Notes	Bear Stearns Com	05/15/09	4.875%	4.880%	996,953	999,530	2,577
40	Federal Natl Mtg Assn	JPMChase	05/15/09	4.250%	4.320%	975,457	983,750	8,293
41	Federal Natl Mtg Assn	Banc of America	06/15/09	6.375%	6.240%	772,765	766,410	(6,355)
42	Federal Farm Cr Bks	UBS Financial Svcs	07/17/09	4.125%	4.210%	969,030	979,690	10,660
43	Wal-Mart Stores	Wal-Mart Stores	08/10/09	6.875%	6.670%	519,235	515,635	(3,600)
44	US Treasury Notes	Banc of America	08/15/09	4.875%	4.880%	503,125	499,650	(3,475)
45	Federal Natl Mtg Assn	Morgan Stanley	09/15/09	6.625%	6.440%	1,039,180	1,029,380	(9,800)
46	US Treasury Notes	Banc of America	11/15/09	4.625%	4.650%	499,727	496,955	(2,772)
47	Merrill Lynch & Co Note	Merrill Lynch	02/08/10	4.250%	4.370%	976,940	972,330	(4,610)
48	CitiGroup Inc Global Notes	CitiGroup	02/22/10	4.125%	4.250%	487,990	485,040	(2,950)
49	Federal Home Ln Bks Bonds	BNP Paribas	03/12/10	4.875%	4.910%	993,135	992,190	(945)
50	US Treasury Notes	Banc of America	05/15/10	4.500%	4.550%	498,125	494,765	(3,360)
51	Federal Home Ln Bks	PFM Asset Mgmt	03/17/10	4.375%	4.460%	931,398	931,295	(104)
52	Federal Farm Cr Bks	Banc of America	07/07/10	3.350%	3.530%	1,194,900	1,186,325	(8,575)
53	Federal Natl Mtg Assn	Merrill Lynch	08/11/10	4.875%	4.920%	495,825	495,315	(510)
54	Federal Natl Mtg Assn	Morgan Stanley	11/08/10	5.200%	5.220%	499,615	498,280	(1,335)
55	Federal Farm Cr Bks	Banc of America	12/13/10	4.600%	4.690%	490,010	490,780	770
56	Fed Home Ln Mtg Corp Notes	UBS Financial Svcs	04/18/11	5.125%	5.140%	1,010,390	996,250	(14,140)
57	Federal Natl Mtg Assn	Merrill Lynch	05/19/11	5.625%	5.610%	497,560	501,720	4,160
58	Federal Natl Mtg Assn	PFM Asset Mgmt	09/15/11	5.500%	5.450%	1,543,730	1,513,590	(30,140)
59	Fed Home Ln Mtg Corp Notes	Merrill Lynch	01/09/12	5.300%	5.340%	496,875	496,180	(695)
60	Federal Home Ln Mtge Corp	PFM Asset Mgmt	01/15/12	5.750%	5.640%	1,027,959	1,019,380	(8,579)
61	Federal Farm Cr Bks	UBS Financial Svcs	04/12/12	4.875%	4.960%	498,620	491,565	(7,055)
62	Jan Court Assessment District	City of Yuba City	09/02/07	7.600%	7.600%	6,500	6,500	-
63	Rickey Drive Assessment District	City of Yuba City	09/02/07	7.600%	7.600%	6,000	6,000	-
64	West Hillcrest Assessment District	City of Yuba City	09/02/09	7.000%	7.000%	194,022	194,022	-
65	Marcia Avenue Assessments District	City of Yuba City	09/02/12	6.100%	6.100%	34,835	34,835	-
66	East Hillcrest Assessment District	City of Yuba City	09/02/16	6.000%	6.000%	52,412	52,412	-
67	Darrowgh Drive Assessment District	City of Yuba City	09/02/24	6.000%	6.000%	144,837	144,837	-
68	Staple/Ashley/Dennis Assessment District	City of Yuba City	03/02/30	6.000%	6.000%	158,713	158,713	-
	U.S. Consumer Price Index (Inflation)		June		2.700%			
Total City Held Investments						\$ 93,336,759	\$ 93,421,182	\$ 84,423

City of Yuba City
Monthly Investment Statement
June 2007
Investments Held by Other Fiscal Agents (1)


No.	Description of Debt Issuance	Account Type	Description of Security	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
69	Wastewater Revenue Certificates - 2000	Installment	Blackrock T-Fund	Daily	4.470%	4.470%	247	247	-
70		Arbitrage	Blackrock T-Fund	Daily	4.470%	4.470%	30,621	30,621	-
71	Buttes Vista AD - 2000	Reserve	LAIF	Daily	5.250%	5.250%	90,169	90,169	-
72		Reserve	Blackrock T-Fund	Daily	4.480%	4.480%	13	13	-
73		Installment	Blackrock T-Fund	Daily	4.470%	4.470%	81,188	81,188	-
74	Water Revenue Certificates - 2001	Reserve	LAIF	Daily	5.250%	5.250%	373,000	373,000	-
75		Reserve	Blackrock T-Fund	Daily	4.470%	4.470%	194	194	-
76		Installment	Blackrock T-Fund	Daily	4.470%	4.470%	111	111	-
77	Wastewater Revenue Certificates - 2002	Reserve	MBIA Investment	06/01/32	5.400%	5.400%	1,007,355	1,007,355	-
78		Installment	Blackrock T-Fund	Daily	4.470%	4.470%	126	126	-
79	Buttes Vista AD - 2002	Reserve	LAIF	Daily	5.250%	5.250%	82,055	82,055	-
80		Reserve	Blackrock T-Fund	Daily	4.460%	4.460%	11	11	-
81		Installment	Blackrock T-Fund	Daily	4.470%	4.470%	76,824	76,824	-
82	Tierra Buena AD - 2003	Reserve	Blackrock T-Fund	Daily	4.470%	4.470%	231,783	231,783	-
83		Installment	Blackrock T-Fund	Daily	4.470%	4.470%	226,309	226,309	-
84		Prepayment	Blackrock T-Fund	Daily	4.800%	4.800%	1	1	-
85	RDA Tax Allocation Series A - 2004	Reserve	LAIF	Daily	5.250%	5.250%	1,113,144	1,113,144	-
86		Reserve	Blackrock T-Fund	Daily	4.470%	4.470%	250	250	-
87		Interest	Blackrock T-Fund	Daily	4.470%	4.470%	490	490	-
88		Principal	Blackrock T-Fund	Daily	4.470%	4.470%	183	183	-
89		Project	Blackrock T-Fund	Daily	4.470%	4.470%	6,436,609	6,436,609	-
90	Housing Set-Aside Series B - 2004	Reserve	LAIF	Daily	5.250%	5.250%	308,925	308,925	-
91		Reserve	Blackrock T-Fund	Daily	4.470%	4.470%	966	966	-
92		Interest	Blackrock T-Fund	Daily	4.470%	4.470%	150	150	-
93		Principal	Blackrock T-Fund	Daily	4.470%	4.470%	53	53	-
94		Project	Blackrock T-Fund	Daily	4.470%	4.470%	2,514,258	2,514,258	-
95	Sunsweet Blvd CFD - 2004	Reserve	Blackrock T-Fund	Daily	4.470%	4.470%	221,538	221,538	-
96		Installment	Blackrock T-Fund	Daily	4.470%	4.470%	163	163	-
97		Project	Blackrock T-Fund	Daily	4.470%	4.470%	436,849	436,849	-
98	Water Revenue Certificates - 2005	Reserve	Blackrock T-Fund	Daily	4.470%	4.470%	906	906	-
99		Reserve	Federal Natl Mfg Assn	11/27/07	4.780%	4.920%	1,445,995	1,450,252	4,257
100		Installment	Blackrock T-Fund	Daily	4.470%	4.470%	35,093	35,093	-
101		Project	CAMP	Daily	5.210%	5.210%	1,430,248	1,430,248	-

City of Yuba City
 Monthly Investment Statement
 June 2007
 Investments Held by Other Fiscal Agents (1)

No.	Description of Debt Issuance	Account Type	Description of Security	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
102	Gauche Park COP - 2006	Reserve	CAMP	Daily	5.210%	5.210%	800,759	800,759	-
103		Interest	CAMP	Daily	5.210%	5.210%	239,644	239,644	-
104		Interest	Blackrock T-Fund	Daily	4.470%	4.470%	623	623	-
105		Lease	Blackrock T-Fund	Daily	4.470%	4.470%	285	285	-
106		Project	CAMP	Daily	5.210%	5.210%	3,274,042	3,274,042	-
107	RDA Tax Allocation Bonds - 2007	Reserve	CAMP	Daily	5.210%	5.210%	794,086	794,086	-
108		Escrow	CAMP	Daily	5.210%	5.210%	5,322,854	5,322,854	-
109		COI	Blackrock T-Fund	Daily	4.470%	4.470%	26,581	26,581	-
110		Project	CAMP	Daily	5.210%	5.210%	9,570,282	9,570,282	-
	U.S. Consumer Price Index (Inflation)					2.700%			
Total Non-City Investments							\$ 36,174,983	\$ 36,179,240	\$ 4,257
TOTAL CITY & NON-CITY INVESTMENTS							\$ 129,511,743	\$ 129,600,422	\$ 88,679

(1) Union Bank of California services as fiscal agent for all debt issuances

I certify to the best of my knowledge: (i) That this statement reflecting all City investments is accurate and complete; (ii) That each investment conforms with the City's investment policies, as well as California's Government Code; and (iii) That sufficient cash flow liquidity is available to meet the next six months of estimated disbursements.

Signed:  Steve Kroeger, City Treasurer

Date: 8/1/07