

CITY OF YUBA CITY
STAFF REPORT

Date: November 6, 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 September 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 (July, August, September).

Analysis:

Portfolio Highlights:

- As of September 30, 2007, the City's overall investment portfolio (estimated market value) totaled \$122,935,398, a decrease of roughly \$6.7 million since the previous quarter.
- Notable transactions during the quarter that affected cash flows included: 1) Capital improvement project payments attributable to the Water Treatment Plant and Gauche Aquatic Park projects; and, 2) the semi-annual debt service payments in September.
- The Portfolio shows a "paper gain" of \$623,372 as of September 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 \$41.8 million as of September 30th (approximately 46.3% 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 (FOMC) reduced the Federal Funds rate by .50% from 5.25% to 4.75% at its September 18th meeting. By the end of September, long term rates, as measured by the yield on the 10-year US Treasury had risen by 12 basis points and the spread between the 2-year US Treasury and the benchmark 10-year had widened to 60 basis points, far wider than the average over the past 6 months.

In the time between the rate cut on September 18th and the end of the month, 30-year average mortgage rates increased 12 basis points. Mortgage rates are currently near 4-5 year highs. If the pace of inflation rises and mortgage rates fail to decline, the housing market may experience an extended period of decline. An extended housing slump would not come as a surprise though, as

this most recent housing market expansion endured over 15 years of growth, spanning from 1991 to 2006. The previous housing slump lasted 5 years, from 1986 to 1991.

The September rate cut did help to calm credit markets as spreads on asset backed and regular commercial paper narrowed by as much as half. Equity markets have rallied some to new highs – the Dow advanced nearly 400 points after the cut. A rate cut of another .25% on October 31st led to continued market gains.

The near-term economic outlook is for slower growth of around 2% for the remainder for 2007, even though the economy grew at a strong 3.8% in the second quarter and 3.9% in the third quarter.

Investment Overview:

Staff has to lengthened the overall maturity of the portfolio – the “weighted average years” of the City held funds has increased from .856 years to 1.118 years over the past quarter. With uncertainty regarding future interest rates, longer term investments have been purchased to continue to “lock in” a portion of the portfolio. The positive impact of this strategy is reflected in the portfolio’s estimated market value of \$623,372 more than its cost basis.

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, 46.3% of the portfolio is liquid, which sufficiently meets the City’s cash needs.

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.

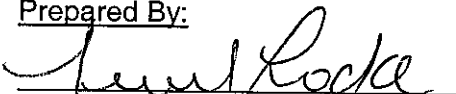
Alternatives:

Not Applicable.

Recommendation:

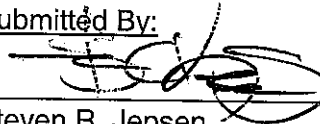
Staff recommends that Council note and file the Quarterly Treasurer’s Report for the period ending September 30, 2007.

Prepared By:



Terrel Locke
Administrative Analyst I

Submitted By:



Steven R. Jepsen
City Manager

Reviewed By:

Department Head

Finance





City of Yuba City

Treasurer's Quarterly Investment Report

September 30, 2007

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

Investment Summary

Account Types	Balance 9/30/2007
City Held Investments	
Cash & Cash Equivalent	\$ 41,829,609
Local Agency Investment Fund	16,294,074
California Asset Management Program	16,411,095
Cash/Money Market	9,124,440
Federal Agency Securities	31,397,299
US Treasuries	7,788,040
Commercial Paper	1,996,870
Corporate Paper	6,832,532
City-held Assessment Districts	471,328
Total City Held Investments	\$ 90,315,678
Trustee Held Investments	
Wastewater Revenue Certificates - 2000	\$ 31,226
Buttes Vista AD - 2000	92,360
Water Revenue Certificates - 2001	378,222
Wastewater Revenue Certificates - 2002	1,007,482
Buttes Vista AD - 2002	81,819
Tierra Buena AD - 2003	235,486
RDA Tax Allocation Series A - 2004	7,626,097
Housing Set Aside Series B - 2004	2,853,698
Sunsweet Blvd CFD - 2004	675,780
Water Revenue Certificates - 2005	1,706,939
Gauche Park COP - 2006	2,040,525
RDA Tax Allocation 2007	15,890,086
Total Trustee Held Investments	\$ 32,619,720
Total	\$ 122,935,398

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

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

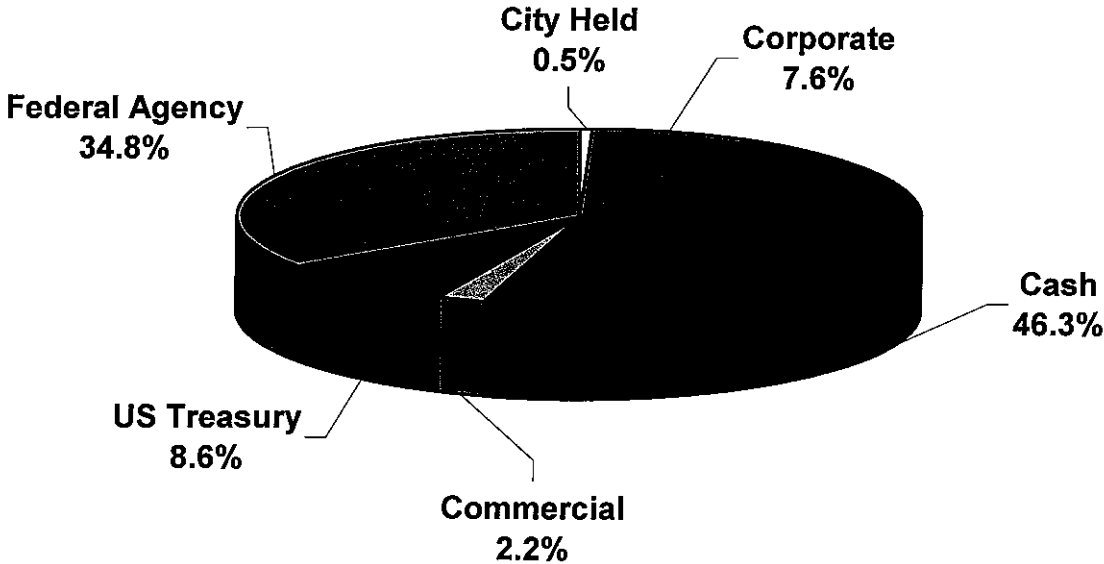
City of Yuba City Portfolio Comparison				
	12/31/06	03/31/07	06/30/07	09/30/07
Cost Basis	\$112,418,616	\$116,110,633	\$129,511,743	\$122,312,026
Estimated Market Value	112,475,715	116,384,061	129,600,422	122,935,398
Unrealized Gains/(Losses) ⁽¹⁾	57,099	273,428	88,679	623,372
Weighted Average Yield to Maturity at Market	4.597%	4.880%	4.928%	4.793%
Weighted Average Years: Maturity of City Held Funds	0.845 years	0.916 years	0.856 years	1.118 years
Weighted Average Years: Maturity of Trustee Funds	1.424 years	1.613 years	0.554 years	0.788 years
Liquidity	47.2%	47.6%	50.9%	46.3%
CPI (Annualized)	2.50%	2.80%	2.70%	2.80%
LAIF Interest Rate	5.13%	5.21%	5.25%	5.23%
CAMP Interest Rate	5.20%	5.22%	5.21%	5.19%

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).

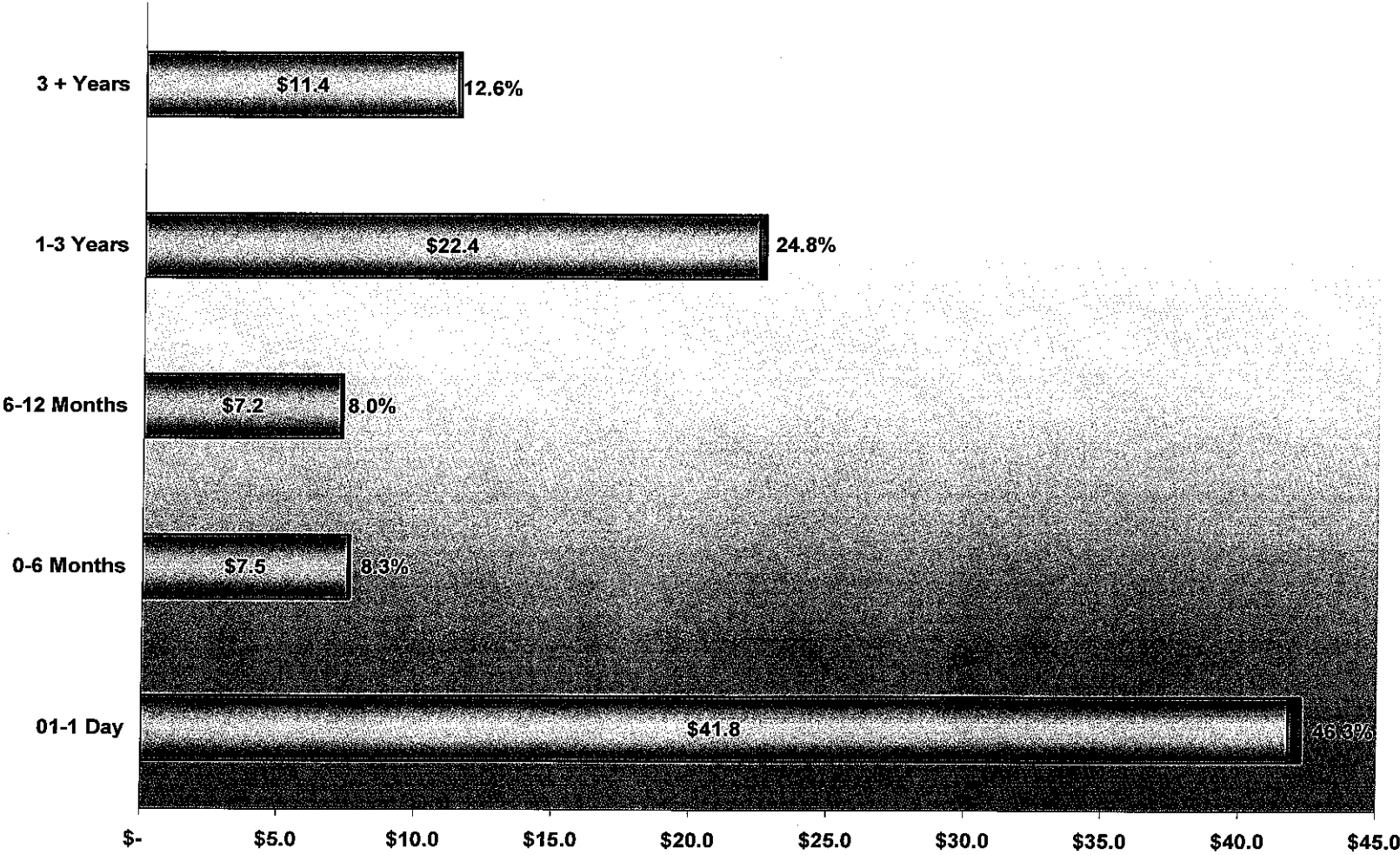
City of Yuba City Treasurer's Report
September 30, 2007

Composition of City Held Investments

Account Types	Market Value	%
Local Agency Investment Fund (LAIF)	\$ 16,294,074	18.0%
California Asset Management Program (CAMP)	16,411,095	18.2%
Cash/Money Market	9,124,440	10.1%
Federal Agency Securities	31,397,299	34.8%
US Treasury Notes	7,788,040	8.6%
Commercial Paper	1,996,870	2.2%
Corporate Paper	6,832,532	7.6%
City Held Assessment Districts	471,328	0.5%
Total	\$ 90,315,678	100.0%



City Held Investment Portfolio Maturity Distribution



City of Yuba City
Monthly Investment Statement
September 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	5.231%	5.231%	\$ 16,294,074	\$ 16,294,074	\$ -
2	Calif. Asset Management Program (CAMP)	CAMP	Daily	5.190%	5.190%	16,411,095	16,411,095	-
3	Wells Fargo Money Market & Checking Accts.	Wells Fargo	Daily (Sweep)	4.382%	4.382%	3,235,007	3,235,007	-
4	Highmark Money Market	Union Bank	Daily	4.520%	4.520%	5,889,433	5,889,433	-
5	Fed Home Ln Bank Bonds	CitiGroup	10/04/07	4.125%	4.120%	1,000,000	1,000,000	-
6	Toyota Mtr Credit Co	Toyota Mtr Credit Co	10/09/07	Discount	5.340%	995,173	998,910	3,737
7	UBS Finance	Lehman Brothers	10/16/07	Discount	5.740%	993,722	997,960	4,238
8	US Treasury Notes	Morgan Stanley	10/31/07	4.250%	4.250%	997,031	1,000,310	3,279
9	Federal Natl Mtg Assn Disc Notes	UBS Financial Svs	12/28/07	5.270%	5.130%	953,706	989,000	35,294
10	US Treasury Notes	CitiGroup	01/31/08	4.375%	4.370%	992,422	1,001,090	8,668
11	Federal Home Ln Mtge	Bear Sterns	02/21/08	4.625%	4.630%	992,429	998,750	6,321
12	Federal Natl Mtg Assn	UBS Financial Svs	02/22/08	3.860%	3.880%	492,600	497,970	5,370
13	Federal Home Ln Mtge	Banc of America	04/18/08	5.125%	5.120%	500,106	500,625	520
14	US Treasury Notes	Merrill Lynch	04/30/08	4.875%	4.860%	748,477	753,045	4,568
15	Federal Natl Mtg Assn	UBS Financial Svs	05/19/08	2.875%	2.910%	477,575	493,905	16,330
16	Federal Home Ln Mtge Corp Nts	Bear Sterns	06/03/08	2.850%	2.890%	953,470	987,340	33,870
17	Federal Farm Cr Bks	Merrill Lynch	07/15/08	3.375%	3.410%	959,880	989,690	29,810
18	Federal Natl Mtg Assn	UBS Financial Svs	08/15/08	3.250%	3.290%	971,240	988,130	16,890
19	Fed Home Ln Bank Bonds	Sec America	09/02/08	4.000%	4.020%	1,000,000	994,380	(5,620)
20	US Treasury Notes	Banc of America	09/15/08	3.125%	3.150%	959,922	991,330	31,408
21	US Treasury Notes	Merrill Lynch	09/15/08	3.125%	3.150%	479,531	495,665	16,134
22	Fed Home Ln Mtg Corp Notes	Merrill Lynch	11/03/08	5.010%	4.880%	996,870	1,004,120	7,250
23	Federal Farm Cr Bks	Morgan Stanley	11/20/08	4.875%	4.860%	995,486	1,004,060	8,574
24	Morgan Stanley	Morgan Stanley	01/15/09	3.875%	3.930%	489,120	492,445	3,325
25	US Treasury Notes	Banc of America	01/31/09	4.875%	4.820%	997,969	1,011,480	13,511
26	Wachovia Corp	Wachovia Corp	02/17/09	3.625%	3.690%	486,965	490,885	3,920
27	Federal Natl Mtg Assn	Banc of America	03/16/09	3.125%	3.180%	472,510	490,625	18,115
28	Federal Natl Mtg Assn	Banc of America	04/15/09	4.875%	4.840%	990,470	1,006,250	15,780
29	US Treasury Notes	Bear Sterns Com	05/15/09	4.875%	4.810%	996,953	1,014,300	17,347
30	Federal Natl Mtg Assn	JPMChase	05/15/09	4.250%	4.260%	975,457	997,500	22,043
31	Federal Natl Mtg Assn	Banc of America	06/15/09	6.375%	6.180%	772,765	773,670	905
32	Federal Farm Cr Bks	UBS Financial Svs	07/17/09	4.125%	4.150%	969,030	995,000	25,970
33	Wal-Mart Stores	Wal-Mart Stores	08/10/09	6.875%	6.650%	519,235	516,845	(2,390)
34	US Treasury Notes	Banc of America	08/15/09	4.875%	4.800%	503,125	508,045	4,920
35	Federal Natl Mtg Assn	Morgan Stanley	09/15/09	6.625%	6.360%	1,039,180	1,041,250	2,070
36	US Treasury Notes	Banc of America	11/15/09	4.625%	4.570%	499,727	506,485	6,758
37	Wells Fargo	Wachovia Corp	01/15/10	4.200%	4.270%	736,238	737,445	1,208
38	Credit Suisse First Boston	Wachovia Corp	01/15/10	4.125%	4.200%	735,450	736,748	1,298
39	Merrill Lynch & Co Note	Merrill Lynch	02/08/10	4.250%	4.330%	976,940	982,380	5,440

City of Yuba City
 Monthly Investment Statement
 September 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)
40	CitiGroup Inc Global Notes	CitiGroup	02/22/10	4.125%	4.200%	487,990	491,085	3,095
41	Federal Home Ln Bks	BNP Paribas	03/12/10	4.875%	4.830%	993,135	1,010,310	17,175
42	US Treasury Notes	Banc of America	05/15/10	4.500%	4.440%	498,125	506,290	8,165
43	Federal Home Loan Bank	Deutsche Bank	03/17/10	4.375%	4.380%	931,398	949,411	18,013
44	Federal Natl Mtg Assn	Banc of America	03/22/10	5.500%	5.490%	997,800	1,002,190	4,390
51	Federal Home Loan Bank	PFM Asset Mgmt	06/11/10	5.250%	5.150%	1,267,018	1,275,388	8,370
45	Federal Farm Cr Bks	Banc of America	07/07/10	3.350%	3.450%	1,194,900	1,214,850	19,950
46	Federal Natl Mtg Assn	Merrill Lynch	08/11/10	4.875%	4.820%	495,825	505,780	9,955
47	Federal Home Ln Mtg	UBS Financial Svs	09/22/10	4.750%	4.710%	1,004,640	1,008,830	4,190
48	Bank America Corp	RBC Dain Rauscher	10/01/10	4.250%	4.330%	636,196	639,925	3,729
49	General Electric CAP Corp Notes	HSBC	10/21/10	4.875%	4.880%	746,198	749,295	3,098
50	Federal Natl Mtg Assn	Morgan Stanley	11/08/10	5.200%	5.200%	499,615	500,315	700
52	Federal Home Loan Bank	Barclays	12/10/10	4.750%	4.710%	499,461	503,750	4,289
53	Federal Farm Cr Bks	Banc of America	12/13/10	4.600%	4.580%	490,010	502,500	12,490
54	Federal Home Loan Bank	Merrill Lynch	03/11/11	5.000%	4.920%	1,012,040	1,016,880	4,840
55	Fed Home Ln Mtg Corp Notes	UBS Financial Svs	04/18/11	5.125%	5.020%	1,010,390	1,021,250	10,860
56	Federal Natl Mtg Assn	Merrill Lynch	05/19/11	5.625%	5.520%	497,560	509,530	11,970
57	Federal Natl Mtg Assn	Banc of America	09/15/11	5.500%	5.320%	1,543,730	1,550,160	6,431
58	General Electric CAP Corp Notes	Merrill Lynch	11/15/11	5.000%	5.020%	992,570	995,480	2,910
59	Fed Home Ln Mtg Corp Notes	Merrill Lynch	01/09/12	5.300%	5.250%	496,875	504,510	7,635
60	Federal Home Ln Mtge	Banc of America	01/15/12	5.750%	5.510%	1,027,959	1,044,380	16,421
61	Federal Farm Cr Bks	UBS Financial Svs	04/12/12	4.875%	4.820%	498,620	505,625	7,005
62	Federal Home Loan Bank	Banc of America	06/08/12	4.875%	4.820%	501,115	505,625	4,510
63	Federal Farm Cr Bks	Morgan Stanley	08/01/12	5.250%	5.110%	509,924	513,750	3,827
64	Jan Court Assessment District	City of Yuba City	09/02/07	7.600%	7.600%	500	500	-
65	West Hillcrest Assessment District	City of Yuba City	09/02/09	7.000%	7.000%	110,326	110,326	-
66	Marcia Avenue Assessments District	City of Yuba City	09/02/12	6.100%	6.100%	25,669	25,669	-
67	East Hillcrest Assessment District	City of Yuba City	09/02/16	6.000%	6.000%	45,631	45,631	-
68	Darrough Drive Assessment District	City of Yuba City	09/02/24	6.000%	6.000%	136,275	136,275	-
69	Staple/Ashley/Dennis Assessment District	City of Yuba City	03/02/30	6.000%	6.000%	152,927	152,927	-
	U.S. Consumer Price Index (Inflation)		September		2.800%			
Total City Held Investments						\$ 89,754,802	\$ 90,315,678	\$ 560,876

City of Yuba City
Monthly Investment Statement
September 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	4.110%	4.110%	247	247	-
70		Arbitrage	Blackrock T-Fund	Daily	4.110%	4.110%	30,979	30,979	-
71	Buttes Vista AD - 2000	Reserve	LAIF	Daily	5.231%	5.231%	89,005	89,005	-
72		Installment	Blackrock T-Fund	Daily	4.110%	4.110%	3,355	3,355	-
73	Water Revenue Certificates - 2001	Reserve	LAIF	Daily	5.231%	5.231%	377,914	377,914	-
74		Reserve	Blackrock T-Fund	Daily	4.110%	4.110%	194	194	-
75		Installment	Blackrock T-Fund	Daily	4.110%	4.110%	115	115	-
76	Wastewater Revenue Certificates - 2002	Reserve	MBIA Investment	06/01/32	5.400%	5.400%	1,007,355	1,007,355	-
77		Installment	Blackrock T-Fund	Daily	4.110%	4.110%	128	128	-
78	Buttes Vista AD - 2002	Reserve	LAIF	Daily	5.231%	5.231%	81,004	81,004	-
79		Installment	Blackrock T-Fund	Daily	4.110%	4.110%	815	815	-
80	Tierra Buena AD - 2003	Reserve	Blackrock T-Fund	Daily	4.110%	4.110%	228,980	228,980	-
81		Installment	Blackrock T-Fund	Daily	4.110%	4.110%	6,506	6,506	-
82	RDA Tax Allocation Series A - 2004	Debt Service	Blackrock T-Fund	Daily	4.120%	4.120%	81	81	-
83		Reserve	Blackrock T-Fund	Daily	4.110%	4.110%	544	544	-
84		Reserve	Federal Natl Mtg Assn	12/01/07	5.260%	Discount	1,098,706	1,113,000	14,294
85		Interest	Blackrock T-Fund	Daily	4.110%	4.110%	495	495	-
86		Principal	Blackrock T-Fund	Daily	4.110%	4.110%	309	309	-
87		Project	Blackrock T-Fund	Daily	4.110%	4.110%	24,668	24,668	-
88		Project	LAIF	Daily	5.231%	5.231%	6,487,000	6,487,000	-
89	Housing Set-Aside Series B - 2004	Reserve	Blackrock T-Fund	Daily	4.110%	4.110%	945	945	-
90		Reserve	Federal Natl Mtg Assn	12/03/07	5.260%	Discount	305,021	309,000	3,979
91		Interest	Blackrock T-Fund	Daily	4.110%	4.110%	140	140	-
92		Principal	Blackrock T-Fund	Daily	4.120%	4.120%	35	35	-
93		Project	Blackrock T-Fund	Daily	4.110%	4.110%	9,578	9,578	-
94		Project	LAIF	Daily	5.231%	5.231%	2,534,000	2,534,000	-
95	Sunsweet Blvd CFD - 2004	Reserve	Blackrock T-Fund	Daily	4.110%	4.110%	879	879	-
96		Reserve	LAIF	Daily	5.231%	5.231%	218,000	218,000	-
97		Installment	Blackrock T-Fund	Daily	4.110%	4.110%	9,715	9,715	-
98		Project	Blackrock T-Fund	Daily	4.110%	4.110%	447,186	447,186	-
99	Water Revenue Certificates - 2005	Reserve	Blackrock T-Fund	Daily	4.110%	4.110%	906	906	-
100		Reserve	Federal Natl Mtg Assn	11/27/07	4.780%	4.850%	1,445,995	1,470,528	24,533
101		Installment	Blackrock T-Fund	Daily	4.110%	4.110%	35,513	35,513	-
102		Project	CAMP	Daily	5.190%	5.190%	199,992	199,992	-

**City of Yuba City
Monthly Investment Statement
September 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)	
103	Gauche Park COP - 2006	Reserve	CAMP	Daily	5.190%	5.190%	3,232	3,232	-	
104		Reserve	Blackrock T-Fund	Daily	4.110%	4.110%	39,114	39,114	-	
105		Reserve	Federal Natl Mtg Assn	12/03/07	5.040%	Discount	768,632	778,000	9,368	
106		Interest	CAMP	Daily	5.190%	5.190%	239,644	239,644	-	
107		Interest	Blackrock T-Fund	Daily	4.110%	4.110%	630	630	-	
108		Lease	Blackrock T-Fund	Daily	4.110%	4.110%	288	288	-	
109		Project	CAMP	Daily	5.190%	5.190%	979,066	979,066	-	
110		Project	Blackrock T-Fund	Daily	4.110%	4.110%	552	552	-	
111		RDA Tax Allocation Bonds - 2007	Debt Service	Blackrock T-Fund	Daily	4.110%	4.110%	93	93	-
112			Interest	Blackrock T-Fund	Daily	4.110%	4.110%	304	304	-
113	Reserve		Blackrock T-Fund	Daily	4.110%	4.110%	66	66	-	
114	Reserve		CAMP	Daily	5.190%	5.190%	7,067	7,067	-	
115	Reserve		Federal Natl Mtg Assn	12/03/07	5.260%	Discount	793,678	804,000	10,322	
116	Escrow		CAMP	Daily	5.190%	5.190%	5,372,091	5,372,091	-	
117	Project		Blackrock T-Fund	Daily	4.110%	4.110%	10,189	10,189	-	
118	Project		CAMP	Daily	5.190%	5.190%	9,696,276	9,696,276	-	
	U.S. Consumer Price Index (Inflation)			September		2.800%				
Total Non-City Investments							\$ 32,557,225	\$ 32,619,720	\$ 62,495	
TOTAL CITY & NON-CITY INVESTMENTS							\$ 122,312,026	\$ 122,935,398	\$ 623,372	

(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: 10/31/07