

CITY OF YUBA CITY
STAFF REPORT

Date: May 6, 2008
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 March 31, 2008
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 (January, February, and March).

Analysis:

Portfolio Highlights:

- As of March 31, 2008, the City's overall investment portfolio (estimated market value) totaled \$114,559,201, an increase of roughly \$5,075,821 since the previous quarter.
- Notable transactions during the quarter that affected cash flows included: 1) Receipt of the first installment of property tax revenues in February (\$8.5 million); and, 2) Capital improvement project payments attributable the Plumas Streetscape Project (\$6.6 million).
- The Portfolio shows a "paper gain" of \$1,873,671 as March 31st. 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 \$37.9 million as of March 31st (approximately 41.4% of the "City Held Investments" portfolio value) that is currently invested in LAIF, CAMP, Umpqua and in the City's Wells Fargo account, which are wholly liquid.

Economic Overview:

The Federal Reserve cut the Federal Funds rate by 75 basis points to 2.25% in March in a further effort to enhance market liquidity and halt the economy's slide. By comparison, the rate in January 2008 was 4.25%. Volatility spiked in March, as the near default of Bear Stearns led to a rescue secured in major part by the Federal Reserve.

As the economy continues to slow, weakness in the job market has raised recession concerns; evidence of anemic growth and inflation further supports these concerns. Waning consumer confidence may prolong the downturn. Falling property values, and stock prices, record energy costs, along with the soft labor market could cause consumers to draw back further on their spending from already depressed levels.

Outlook: The sharp slowing in the economy combined with the near melt-down of the financial markets is likely to be the prime focus of the Federal Reserve for some time to come; however, the fear that excessively low rates could fuel another investment bubble could ultimately limit further rate reductions by the Fed.

Investment Overview:

The overall maturity of the City held funds portfolio ("weighted average years") decreased this quarter from 1.33 years to 1.25 years. This is mainly attributable to an increase of 6.2% in the amount of liquid accounts on hand.

With continued reductions of the Federal Funds Rate, longer term investments have been purchased to "lock in" a portion of the portfolio. The positive impact of this strategy is reflected in the portfolio's estimated market value of \$1,827,302 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, 41.4% 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.

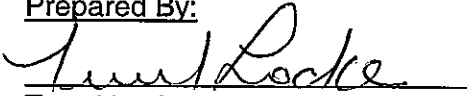
Alternatives:

Not Applicable.

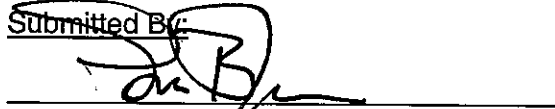
Recommendation:

Staff recommends that Council note and file the Quarterly Treasurer's Report for the period ending March 31, 2008.

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

MARCH 31, 2008

City of Yuba City Treasurer's Report
March 31, 2008

Investment Summary

Account Types	Balance 3/31/2007
City Held Investments	
Cash & Cash Equivalent	\$ 37,927,919
Local Agency Investment Fund	15,280,491
California Asset Management Program	16,776,389
Umpqua Bank Public Funds Money Market	2,014,131
Cash/Money Market	3,856,908
Federal Agency Securities	38,236,071
US Treasuries	5,153,045
Commercial Paper	1,386,965
Corporate Paper	8,510,742
City-held Assessment Districts	470,828
Total City Held Investments	\$ 91,685,570
Trustee Held Investments	
Wastewater Revenue Certificates - 2000	\$ 31,775
Buttes Vista AD - 2000	113,872
Water Revenue Certificates - 2001	377,950
Wastewater Revenue Certificates - 2002	1,007,459
Buttes Vista AD - 2002	99,718
Tierra Buena AD - 2003	292,296
RDA Tax Allocation Series A - 2004	5,843,841
Housing Set Aside Series B - 2004	2,897,337
Sunsweet Blvd CFD - 2004	277,278
Water Revenue Certificates - 2005	1,513,676
Gauche Park COP - 2006	821,781
RDA Tax Allocation 2007	9,596,647
Total Trustee Held Investments	\$ 22,873,630
Total	
	\$ 114,559,200

City of Yuba City Treasurer's Report March 31, 2008

The following table provides a comparison of the portfolio for the quarter ended March 31, 2008, and the previous quarters ended June, September and December 2007.

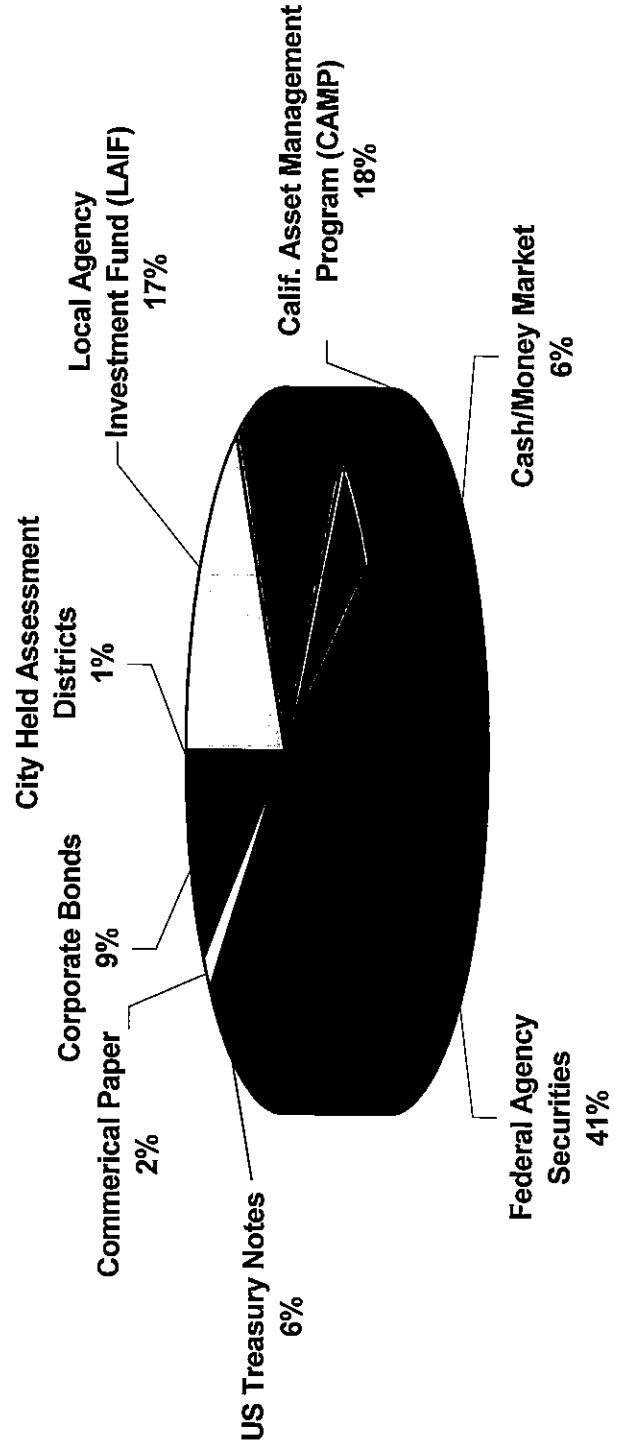
	City of Yuba City Portfolio Comparison			
	06/30/07	09/30/07	12/31/07	03/31/08
Cost Basis	\$129,511,743	\$122,312,026	\$108,356,292	112,685,530
Estimated Market Value	129,600,422	122,935,398	109,483,380	114,559,201
Unrealized Gains/(Losses) (1)	88,679	623,372	1,127,088	1,873,671
Weighted Average Yield to Maturity at Market	4.928%	4.793%	4.693%	3.966%
Weighted Average Years: Maturity of City Held Funds	0.856 years	1.118 years	1.329 years	1.252 years
Weighted Average Years: Maturity of Trustee Funds	0.554 years	0.788 years	0.881 years	1.096 years
Liquidity	50.9%	46.3%	35.2%	41.4%
CPI (Annualized)	2.70%	2.80%	4.10%	4.00%
LAIIF Interest Rate	5.25%	5.23%	4.80%	3.78%
CAMP Interest Rate	5.21%	5.19%	4.82%	3.29%

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
March 31, 2008**

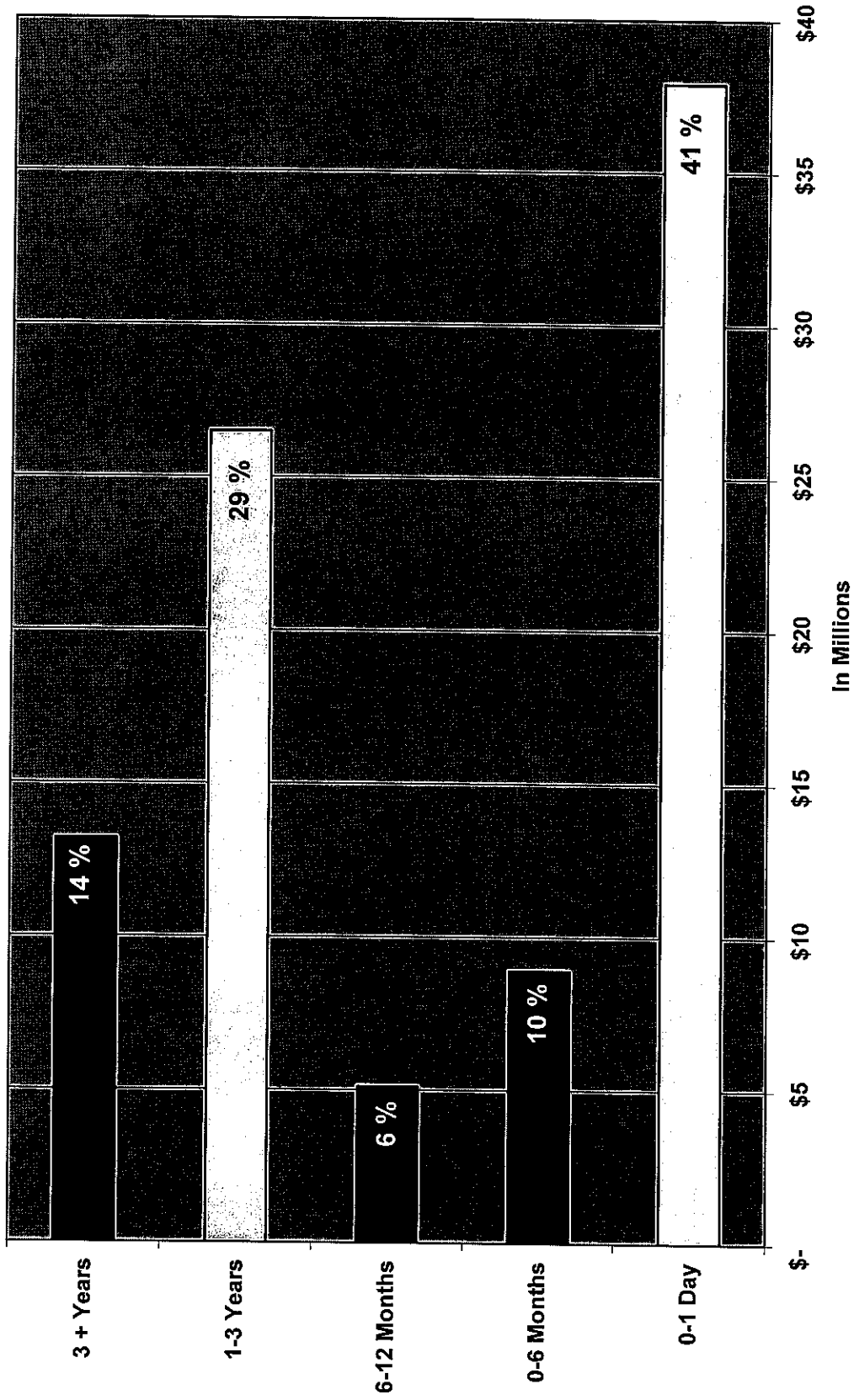
Composition of City Held Investments

Account Types	Estimated Market Value	Percentage of Portfolio
Local Agency Investment Fund (LAIF)	\$ 15,280,491	16.7%
Calif. Asset Management Program (CAMP)	16,776,389	18.3%
Cash/Money Market	5,871,039	6.4%
Federal Agency Securities	38,236,071	41.7%
US Treasury Notes	5,153,045	5.6%
Commerical Paper	1,386,965	1.5%
Corporate Bonds	8,510,742	9.3%
City Held Assessment Districts	470,828	0.5%
Total \$	91,685,570	100.0%



**City of Yuba City Treasurer's Report
March 31, 2008**

City Held Investment Portfolio Maturity Distribution



City of Yuba City
 Monthly Investment Statement
 March 2008

City Held Investments
 (Listed in Order of Maturity Date)

No.	Description of Security	Broker	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
1	Local Agency Investment Fund (LAIF)	State Treasurer	Daily	3.777%	3.777%	\$ 15,280,491	\$ 15,280,491	\$ -
2	Calif. Asset Management Program (CAMP)	CAMP	Daily	3.290%	3.290%	16,776,389	16,776,389	-
3	Wells Fargo Money Market & Checking Accts.	Wells Fargo	Daily (Sweep)	2.029%	2.029%	1,758,082	1,758,082	-
4	Umpqua Bank Public Funds Money Market	Umpqua	Daily	4.010%	4.010%	2,014,131	2,014,131	-
5	Highmark Money Market	Union Bank	Daily	2.070%	2.070%	2,098,826	2,098,826	-
6	Federal Home Ln Mtge	Merrill Lynch	04/14/08	Discount	3.670%	1,027,511	1,036,274	8,763
7	Federal Home Ln Mtge	Banc of America	04/18/08	5.125%	5.120%	500,106	500,625	520
8	Federal Natl Mtg Assn	UBS Financial Svs	05/19/08	2.875%	2.870%	477,575	500,315	22,740
9	Federal Home Ln Mtge Corp Nts	Bear Stearns	06/03/08	2.850%	2.850%	953,470	1,000,720	47,250
10	Bank of America - Commercial Paper	Banc of America	06/18/08	2.590%	2.590%	745,610	745,545	(65)
11	Federal Farm Cr Bks	Merrill Lynch	07/15/08	3.375%	3.370%	959,880	1,002,810	42,930
12	Federal Natl Mtg Assn	UBS Financial Svs	08/15/08	3.250%	3.240%	971,240	1,003,130	31,890
13	Fed Home Ln Bank Bonds	Sec America	09/02/08	4.000%	3.970%	1,000,000	1,006,560	6,560
14	US Treasury Notes	Banc of America	09/15/08	3.125%	3.100%	959,922	1,007,970	48,048
15	US Treasury Notes	Merrill Lynch	09/15/08	3.125%	3.100%	479,531	503,985	24,454
16	General Electric - Commercial Paper	General Electric	09/24/08	2.490%	2.490%	642,070	641,420	(650)
17	Fed Home Ln Mtg Corp Notes	Merrill Lynch	11/03/08	5.010%	4.830%	996,870	1,015,290	18,420
18	Federal Farm Cr Bks	Morgan Stanley	11/20/08	4.875%	4.800%	995,486	1,016,250	20,764
19	Morgan Stanley	Morgan Stanley	01/15/09	3.875%	3.880%	489,120	499,805	10,685
20	US Treasury Notes	Banc of America	01/31/09	4.875%	4.750%	997,969	1,027,270	29,301
21	Wachovia Corp	Wachovia Corp	02/17/09	3.625%	3.640%	486,965	498,445	11,480
22	Federal Natl Mtg Assn	Banc of America	03/16/09	3.125%	3.100%	472,510	504,065	31,555
23	Federal Farm Cr Bks	Morgan Stanley	03/16/09	6.820%	6.540%	567,628	573,502	5,874
24	Federal Natl Mtg Assn	Banc of America	04/15/09	4.875%	4.750%	990,470	1,026,560	36,090
25	US Treasury Notes	Bear Stearns Corn	05/15/09	4.875%	4.700%	996,953	1,036,560	39,607
26	Federal Natl Mtg Assn	JPMChase	05/15/09	4.250%	4.160%	975,457	1,022,190	46,733
27	Federal Home Ln Mtge	Barclays	06/11/09	5.000%	4.850%	1,035,258	1,031,880	(3,378)
28	Federal Natl Mtg Assn	Banc of America	06/15/09	6.375%	6.070%	772,765	787,733	14,968
29	Metropolitan Life Global	Banc of America	07/30/09	4.250%	4.210%	985,730	1,010,230	24,500
30	Federal Farm Cr Bks	UBS Financial Svs	07/17/09	4.125%	4.030%	969,030	1,023,750	54,720
31	Wal-Mart Stores	Wal-Mart Stores	08/10/09	6.875%	6.510%	519,235	527,805	8,570
32	US Treasury Notes	Banc of America	08/15/09	4.875%	4.870%	503,125	522,420	19,295
33	Federal Natl Mtg Assn	Morgan Stanley	09/15/09	6.625%	6.240%	1,039,180	1,062,190	23,010
34	US Treasury Notes	Banc of America	11/15/09	4.625%	4.410%	499,727	524,295	24,568
35	Wells Fargo	Wachovia Corp	01/15/10	4.200%	4.130%	736,238	762,518	26,280
36	Credit Suisse First Boston	Wachovia Corp	01/15/10	4.125%	4.120%	735,450	751,110	15,660
37	Merrill Lynch & Co Note	Wachovia Corp	02/08/10	4.250%	4.350%	976,940	976,280	(660)
38	CitiGroup Inc Global Notes	Merrill Lynch	02/22/10	4.125%	4.160%	487,990	495,210	7,220
39	Federal Home Ln Bks	BNP Paribas	03/12/10	4.875%	4.640%	993,135	1,049,690	56,555

**City of Yuba City
Monthly Investment Statement
March 2008**

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

No.	Description of Security	Broker	Maturity Date	Coupon Rate	Yield to Maturity	Cost Basis	Estimated Market Value	Unrealized Gain/(Loss)
40	Federal Home Loan Bank	JP Morgan	03/12/10	2.375%	2.370%	995,210	1,002,190	6,980
41	US Treasury Notes	Banc of America	05/15/10	4.500%	4.240%	498,125	530,545	32,420
42	Federal Home Loan Bank	Deutsche Bank	03/17/10	4.375%	4.200%	931,398	988,893	57,495
43	Federal Home Loan Bank	Banc of America/Key Bk	06/11/10	5.250%	4.940%	1,267,018	1,327,350	60,332
44	Federal Farm Cr Bks	Banc of America	07/07/10	3.350%	3.280%	1,194,900	1,276,950	82,050
45	Federal Natl Mtg Assn	Merrill Lynch	08/11/10	4.875%	4.620%	495,825	528,125	32,300
46	Federal Home Ln Mtg	UBS Financial Svs	09/22/10	4.750%	4.530%	1,004,640	1,049,200	44,560
47	Bank America Corp	RBC Dalh Rauscher	10/01/10	4.250%	4.180%	636,196	662,165	25,969
48	General Electric CAP Corp Notes	HSBC	10/21/10	4.875%	4.690%	746,198	779,445	33,248
49	Federal Home Loan Bank	Barclays	12/10/10	4.750%	4.500%	499,461	527,655	28,194
50	Federal Farm Cr Bks	Banc of America	12/13/10	4.600%	4.370%	490,010	526,565	36,555
51	Federal Natl Mtg Assn	CitiGroup	02/15/11	4.500%	4.280%	1,568,736	1,575,465	6,729
52	Federal Farm Cr Bks	JP Morgan	02/18/11	4.875%	4.600%	1,030,000	1,060,000	30,000
53	Federal Home Loan Bank	Merrill Lynch	03/11/11	5.000%	4.700%	1,012,040	1,063,750	51,710
54	Fed Home Ln Mtg Corp Notes	UBS Financial Svs	04/18/11	5.125%	4.800%	1,010,390	1,068,130	57,740
55	Federal Natl Mtg Assn	Merrill Lynch	05/19/11	5.625%	5.440%	497,560	517,345	19,785
56	Wells Fargo & Co	Banc of America	08/26/11	5.300%	5.120%	503,400	517,720	14,320
57	Federal Natl Mtg Assn	Banc of America	09/15/11	5.500%	5.050%	1,543,730	1,632,660	88,931
58	General Electric CAP Corp Notes	Merrill Lynch	11/15/11	5.000%	4.850%	992,570	1,030,010	37,440
59	Fed Home Ln Mtg Corp Notes	Merrill Lynch	01/09/12	5.300%	5.190%	496,875	510,870	13,995
60	Federal Home Ln Mtg	Banc of America	01/15/12	5.750%	5.230%	1,027,959	1,100,310	72,351
61	Federal Farm Cr Bks	UBS Financial Svs	04/12/12	4.875%	4.560%	498,620	534,690	36,070
62	Federal Home Loan Bank	Banc of America	06/08/12	4.875%	4.560%	501,115	535,000	33,885
63	Federal Home Ln Mtg	KeyBank Capital	06/08/12	4.875%	4.560%	1,012,520	1,070,000	57,480
64	Federal Farm Cr Bks	Morgan Stanley	08/01/12	5.250%	4.840%	509,924	542,815	32,892
65	Federal Home Loan Bank	Banc of America	08/15/12	4.625%	4.360%	509,290	530,315	21,025
66	Federal Home Ln Mtg	UBS Financial Svs	10/15/12	5.050%	4.850%	998,500	1,041,450	42,950
67	Federal Natl Mtg Assn	JP Morgan	11/02/12	5.125%	4.910%	1,033,670	1,044,060	10,390
68	Federal Home Ln Mtg	Merrill Lynch	01/02/13	4.750%	4.660%	1,013,500	1,018,750	5,250
69	West Hillcrest Assessment District	City of Yuba City	09/02/09	7.000%	7.000%	110,326	110,326	-
70	Marcia Avenue Assessments District	City of Yuba City	09/02/12	6.100%	6.100%	25,669	25,669	-
71	East Hillcrest Assessment District	City of Yuba City	09/02/16	6.000%	6.000%	45,631	45,631	-
72	Darrough Drive Assessment District	City of Yuba City	09/02/24	6.000%	6.000%	136,275	136,275	-
73	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)		March		4.000%			
Total City Held Investments						\$ 89,858,268	\$ 91,685,570	\$ 1,827,302

**City of Yuba City
Monthly Investment Statement
March 2008**

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)
73	Wastewater Revenue Certificates - 2000	Installment	Blackrock T-Fund	Daily	1.450%	1.450%	247	247	-
74		Arbitrage	Blackrock T-Fund	Daily	1.450%	1.450%	31,528	31,528	-
75	Buttes Vista AD - 2000	Reserve	LAIF	Daily	3.777%	3.777%	89,000	89,000	-
76		Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	2,316	2,316	-
77		Installment	Blackrock T-Fund	Daily	1.450%	1.450%	22,557	22,557	-
78	Water Revenue Certificates - 2001	Reserve	LAIF	Daily	3.777%	3.777%	377,688	377,688	-
79		Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	194	194	-
80		Installment	Blackrock T-Fund	Daily	1.450%	1.450%	68	68	-
81	Wastewater Revenue Certificates - 2002	Reserve	MBIA Investment	06/01/32	5.400%	5.400%	1,007,355	1,007,355	-
82		Installment	Blackrock T-Fund	Daily	1.440%	1.440%	105	105	-
83	Buttes Vista AD - 2002	Reserve	LAIF	Daily	3.777%	3.777%	81,000	81,000	-
84		Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	2,107	2,107	-
85		Installment	Blackrock T-Fund	Daily	1.450%	1.450%	16,611	16,611	-
86	Tierra Buena AD - 2003	Reserve	LAIF	Daily	3.777%	3.777%	229,451	229,451	-
87		Installment	Blackrock T-Fund	Daily	1.450%	1.450%	62,845	62,845	-
88	RDA Tax Allocation Series A - 2004	Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	10,306	10,306	-
89		Reserve	Federal Natl Mtg	06/28/08	Discount	5.260%	1,098,385	1,098,385	-
90		Interest	Blackrock T-Fund	Daily	1.450%	1.450%	14,344	14,344	-
91		Principal	Blackrock T-Fund	Daily	1.450%	1.450%	390	390	-
92		Project	Blackrock T-Fund	Daily	1.450%	1.450%	325	325	-
93		Project	LAIF	Daily	3.777%	3.777%	4,720,092	4,720,092	-
94	Housing Set-Aside Series B - 2004	Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	1,860	1,860	-
95		Reserve	Federal Natl Mtg	06/02/08	Discount	5.260%	305,932	305,929	(2)
96		Interest	Blackrock T-Fund	Daily	1.450%	1.450%	3,994	3,994	-
97		Principal	Blackrock T-Fund	Daily	1.440%	1.440%	57	57	-
98		Project	Blackrock T-Fund	Daily	1.450%	1.450%	15,523	15,523	-
99		Project	LAIF	Daily	3.777%	3.777%	2,569,974	2,569,974	-
100	Sunsweet Blvd CFD - 2004	Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	54	54	-
101		Reserve	LAIF	Daily	3.777%	3.777%	218,000	218,000	-
102		Installment	Blackrock T-Fund	Daily	1.450%	1.450%	59,224	59,224	-


**City of Yuba City
Monthly Investment Statement
March 2008
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	Water Revenue Certificates - 2005	Reserve	Federal Natl Mtg	05/01/08	Discount	4.780%	1,446,380	1,477,780	31,400
103		Installment	Blackrock T-Fund	Daily	1.450%	1.450%	35,896	35,896	-
104	Gauche Park COP - 2006	Reserve	CAMP	Daily	3.290%	3.290%	3,304	3,304	-
105		Reserve	Federal Natl Mtg	05/01/08	Discount	5.040%	768,848	783,823	14,974
106		Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	9,152	9,152	-
107		Lease	Blackrock T-Fund	Daily	1.450%	1.450%	25,503	25,503	-
108	RDA Tax Allocation Bonds - 2007	Reserve	Blackrock T-Fund	Daily	1.450%	1.450%	16,809	16,809	-
109		Reserve	Federal Natl Mtg	06/02/08	Discount	5.260%	793,446	793,443	(4)
110		Interest	Blackrock T-Fund	Daily	1.440%	1.440%	110	110	-
111		Escrow	CAMP	Daily	3.290%	3.290%	5,491,668	5,491,668	-
112		Project	Blackrock T-Fund	Daily	1.450%	1.450%	248	248	-
	U.S. Consumer Price Index (Inflation)	Project	CAMP	Daily	3.290%	3.290%	3,294,369	3,294,369	-
Total Non-City Investments							\$ 22,827,262	\$ 22,873,631	\$ 46,369

TOTAL CITY & NON-CITY INVESTMENTS	\$ 112,685,530	\$ 114,559,201	\$ 1,873,671
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(1) Union Bank of California serves 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:  Date: 4/28/08
Steven C. Kroeger, City Treasurer