

SANTA BARBARA COUNTY

**TREASURER'S REPORT TO THE BOARD OF SUPERVISORS AND
THE TREASURY OVERSIGHT COMMITTEE**

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

Table of Contents

I. Economic Trend

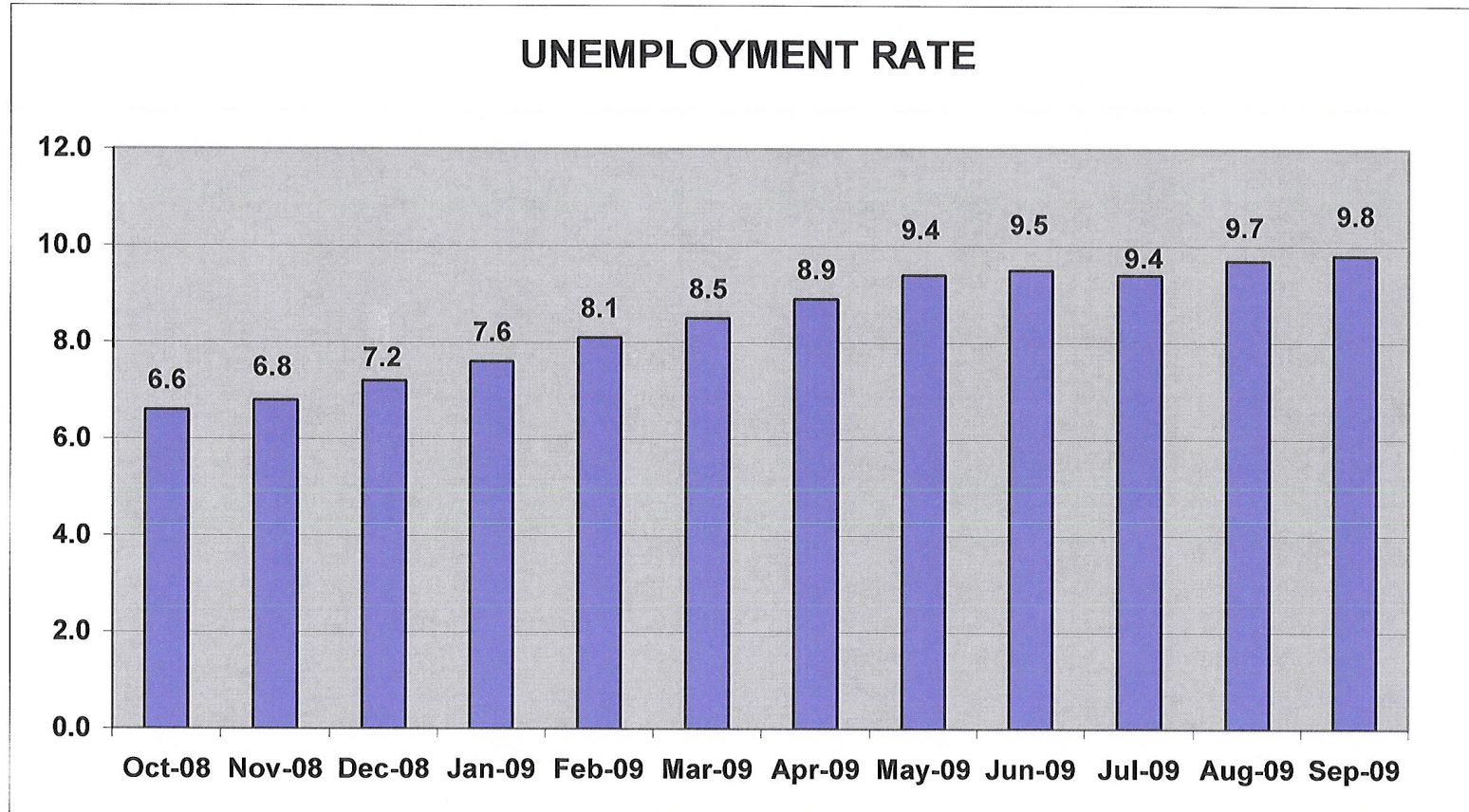
II. Overview of Investment Activities

ECONOMIC TREND: Impact on the Pool

- **The Federal Reserve (FED), maintained the target federal funds rate at a range of 0 to .25% throughout the quarter.**
- **The impact of short - term rates remaining at historic lows is the pool's yield staying relatively flat over the quarter. The FED has indicated this low rate will remain in place for some time. Fixed income investment offerings are expected to continue to be purchased at lower rates of return than many of the current pool holdings. As investments mature they are likely to be invested at a lower rate.**
- **The unemployment rate increased, ending the quarter at its highest level since December of 1982. After beginning the quarter at 9.5%, it decreased in July to 9.4%, increased in August to 9.7%, and ended the September 2009 quarter at 9.8%. Payrolls decreased by 768,000 jobs over the quarter ended September 2009, bringing the total decrease to 5,785,000 over the last twelve months. The rate of payroll decreases in September of 2009 (768,000) is less than the losses experienced in the quarters ended June 2009 (1,285,000), March 2009 (2,074,000), and December 2008 (1,658,000).**
- **Consumer Confidence improved over the quarter ended June 30, 2009. After beginning the quarter at 49.3, it declined to 47.4 in July, rose to 54.5 in August, and ended the quarter at 53.1. The economy continues to contract, but at a slower rate. At March 2009 an annualized growth rate of -6.4% was experienced, as compared to June of 2009's annualized rate of -0.7. The economy is expected to expand moderately over the second half of the 2009 calendar year.**

ECONOMIC TREND: Unemployment Rate

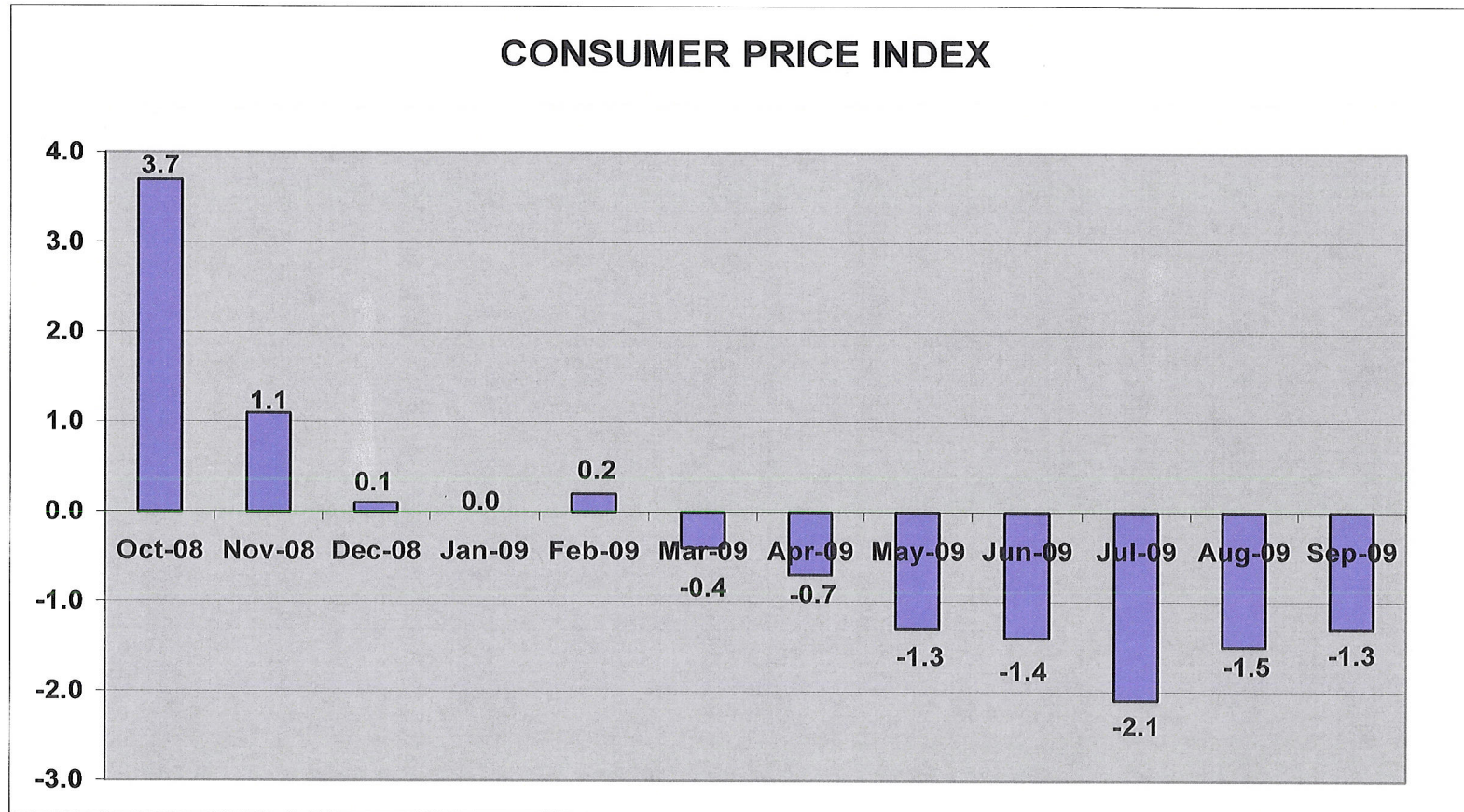
The unemployment rate continued its trend upward, with the exception of a slight decline in July. It began the quarter at 9.5% and ended it at 9.8%. The unemployment rate represents the number of unemployed persons as a percent of the labor force. The sampling used each month to calculate the rate is approximately 60,000 households.



Source: Bureau of Labor Statistics

ECONOMIC TREND: Inflation

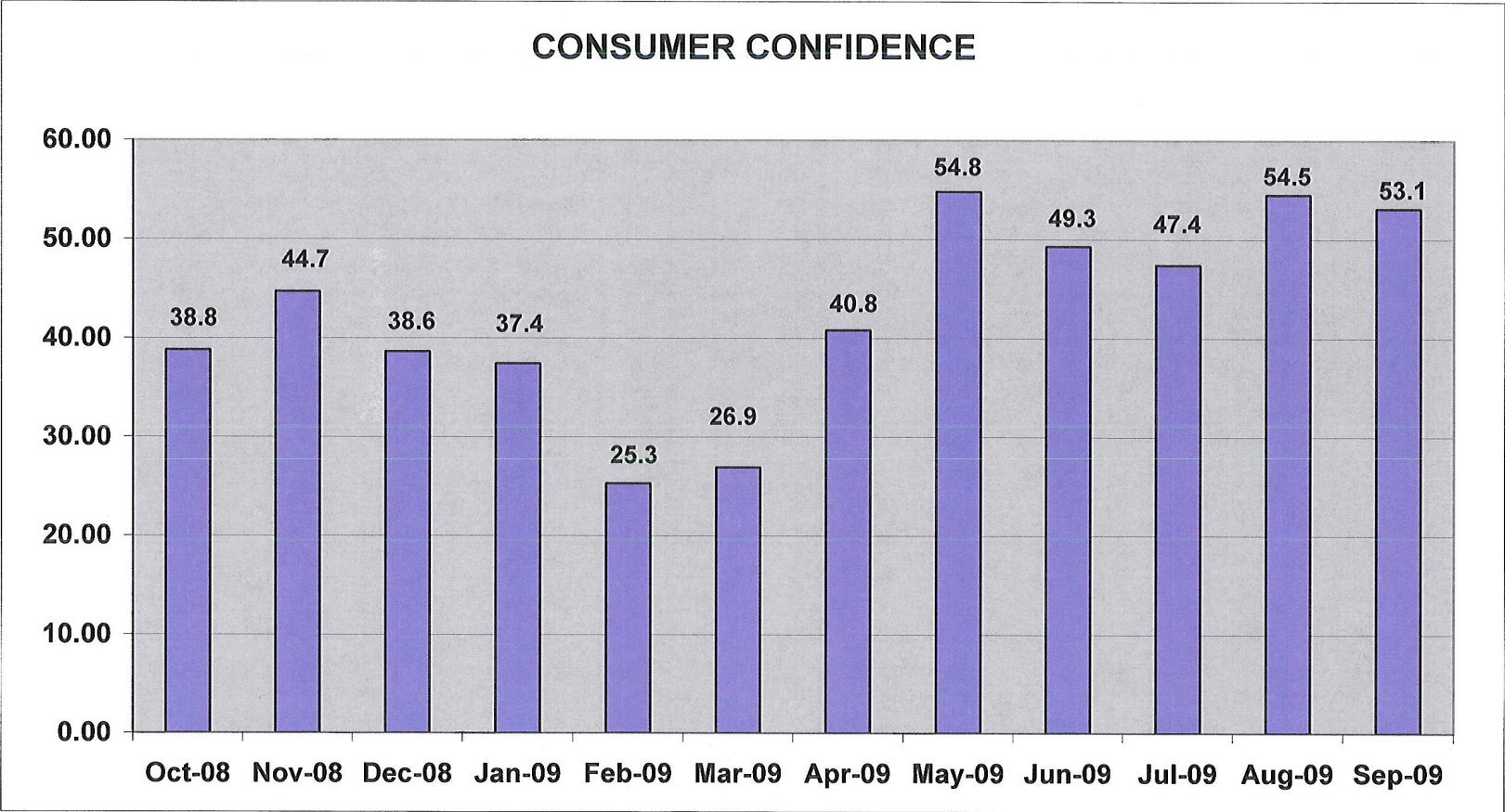
After falling significantly in July, the Consumer Price Index (CPI) reversed course, beginning the quarter at -1.4 and ending it at -1.3. The Core CPI, which excludes food and energy, began the quarter at 1.7 and ended it at 1.5. The CPI represents changes in prices of all goods and services purchased for consumption by urban households.



Source: Bureau of Labor Statistics

ECONOMIC TREND: Consumer Confidence

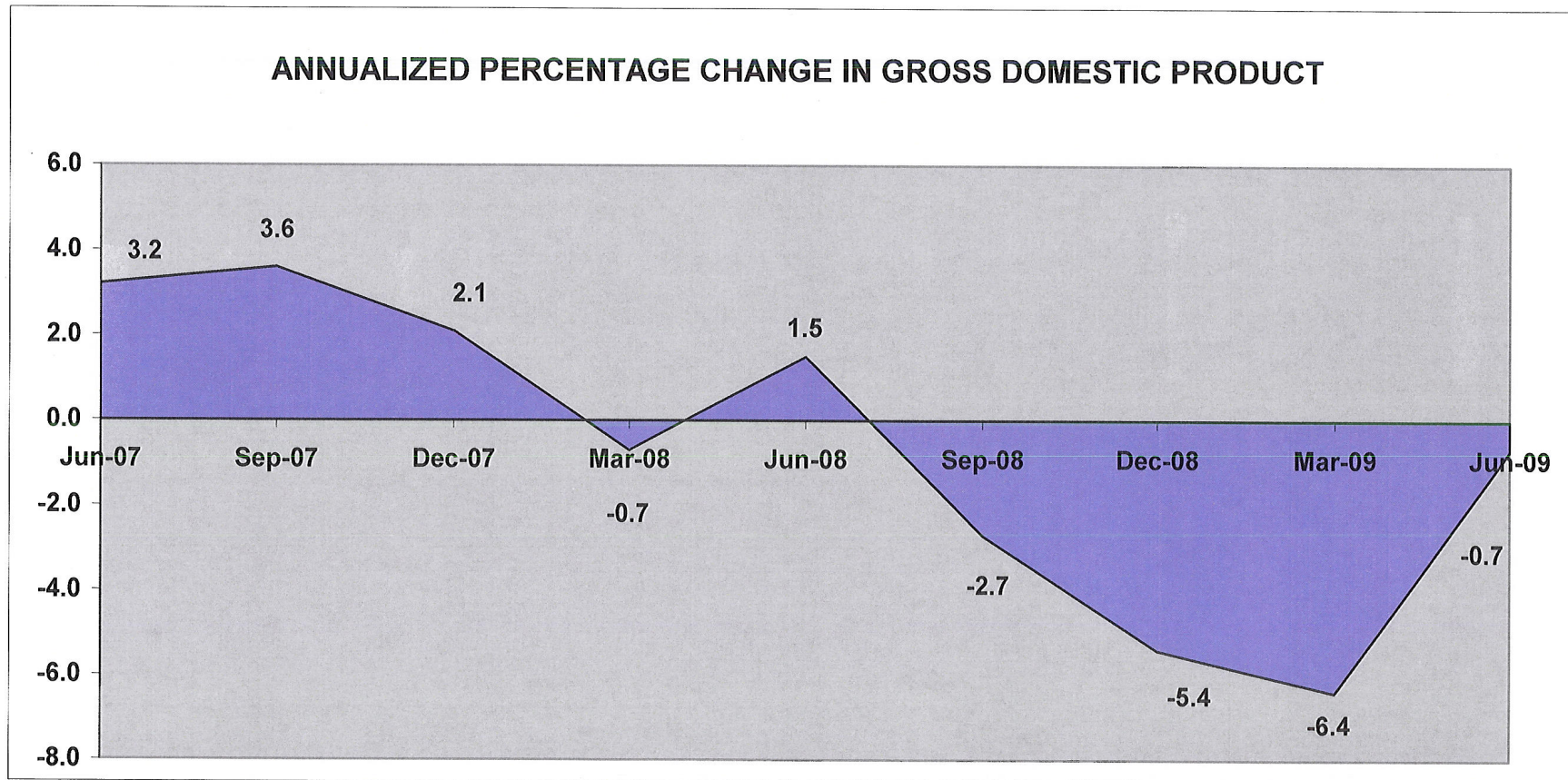
Consumer Confidence began the September 2009 quarter at 49.3. Over the quarter it improved, ending it at 53.1, and reaching a high of 54.5 in August. This Index is the average of responses to current business and employment conditions and responses to six-month future expectations for business conditions, employment conditions, and total family income.



Source: Conference Board

ECONOMIC TREND: GDP (Gross Domestic Product)

The economy continued to experience annualized negative growth through June 2009, but at a slower rate as compared to the preceding three quarters. Annualized GDP at March 2009 was -6.4% and at December 2008 was -5.4%. It is expected that GDP will expand moderately by the end of the 2009 calendar year. Gross domestic product is the value of all goods and services produced.



Source: Bureau of Economic Analysis

II. Overview of Investment Activities

SANTA BARBARA COUNTY INVESTMENT FUNDS
Quarter Ending September 30, 2009

SUMMARY OF INVESTMENTS IN THE TREASURER'S POOL

PRINCIPAL COST	\$ 797,710,642
MARKET VALUE (provided by Union Bank)	\$ 804,163,522
CUMULATIVE UNREALIZED Gain (See Note Below)	\$ 6,452,880
TOTAL NET EARNINGS ON THE TREASURER'S POOL	\$ 3,261,749
AVERAGE DAILY BALANCE ON THE TREASURER'S POOL	\$ 877,778,672
CASH ON DEPOSIT AT BANK	\$ 33,877,246
ACCRUED INTEREST AT PURCHASE	\$ 40,426
NET INTEREST RATE ON THE TREASURER'S POOL	1.474 %
WEIGHTED AVERAGE DAYS TO MATURITY	410
WEIGHTED AVERAGE DAYS TO CALL DATE	210

SUMMARY OF INVESTMENTS IN TOBACCO SETTLEMENT FUND

PRINCIPAL COST	\$ 399,580
MARKET VALUE	\$ 421,095
CUMULATIVE UNREALIZED GAIN (See Note Below)	\$ 21,515
YIELD TO MATURITY	7.21%
WEIGHTED AVERAGE DAYS TO MATURITY	257

SUMMARY OF THE CERTIFICATES OF PARTICIPATION RESERVE FUNDS

PRINCIPAL COST	\$22,065,242
MARKET VALUE	\$22,308,879
CUMULATIVE UNREALIZED GAIN (See Note Below)	\$ 243,637
YIELD TO MATURITY	1.75%
WEIGHTED AVERAGE DAYS TO MATURITY	347

Note: Unrealized gains and losses are not expected to be realized. It is our basic policy to retain securities in the pool until maturity.

CHARTS: The following charts are provided for your review:

Chart 1: Asset Distribution by Sector

Chart 2: Credit Rating At Time of Purchase By Percent of Book Value

Chart 3: Maturity Distribution

Chart 4: Average Daily Cash Balance and Income Distribution

Chart 5: Quarterly Performance Versus Selected Benchmarks

As you can see on Chart 1, for the quarter ending September 30, 2009, 37.8% of the pool's assets were invested in Government Agency Bonds, 1.3% in State of California Notes, 2.5% in Treasury Bills, 21.7% in Callable Securities, 7.8% in Commercial Paper, 5.0% in LAIF (Local Agency Investment Fund), 5.0% in CalTrust, 10.3% in Medium Term Notes, 1.3% in Medium Term Notes – FDIC Insured, and 7.3% in Negotiable Certificates of Deposit.

Chart 2 shows that at September 30th, based upon ratings at the time of purchase per the adopted investment policy, 64.6% of securities in the pool were rated AAA, 2.5% are rated AA+, 9.0% are rated AA, 14.5% are rated A-1, P-1, F-1, 0.6% are rated A-1, P-2, F-1, 1.3% are rated MIG1, SP-1, F2e, and 7.5% were unrated as they are in LAIF (5%) and the CalTrust Medium Term Fund (2.5%).

Chart 3 shows that at September 30th 20.5% of the pool's investments have a maturity between 1 and 90 days, 37.2% between 91 days and 1 year, 9.8% between 1 year and 2 years, 6.8% between 2 and 3 years, 5.6% between 3 and 4 years, 8.3% between 4 and five years, and the other 11.8% is invested in LAIF, CalTRUST, and other overnight securities.

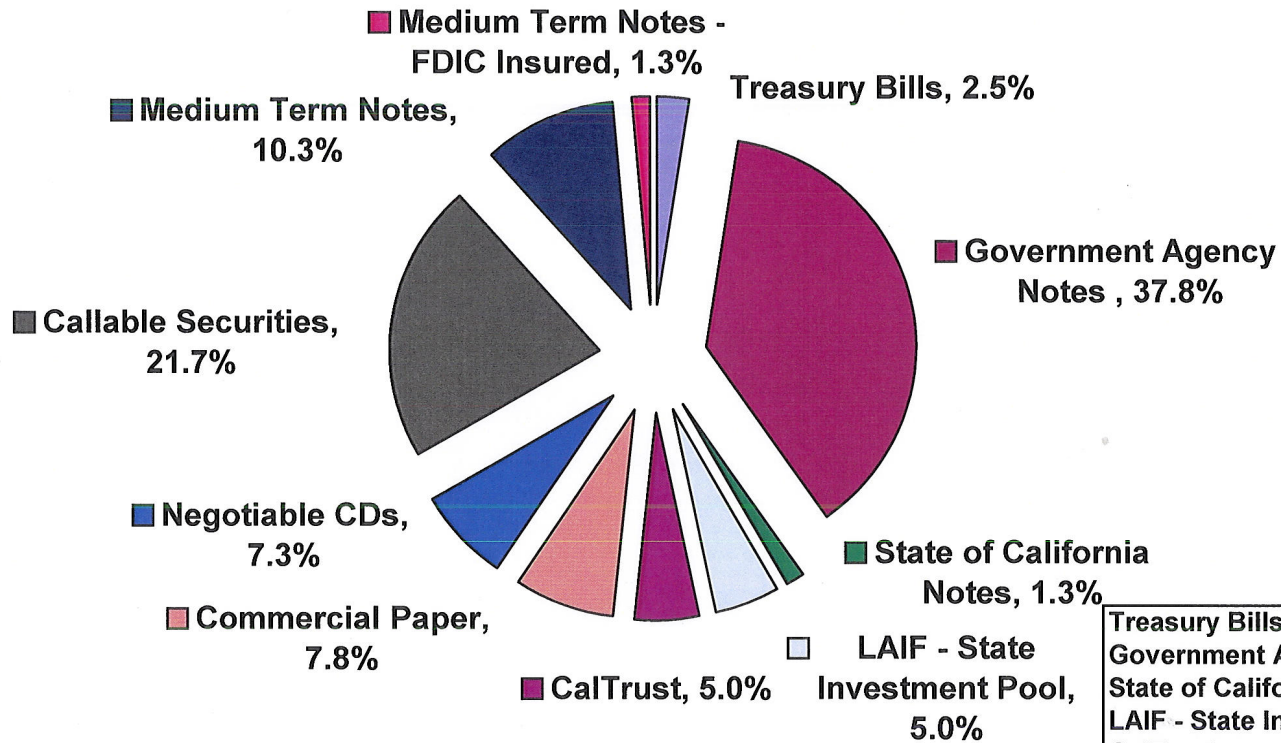
Chart 4 reflects how the pool's net earnings of \$3,261,749 were distributed between the County (42%), Schools (50%) and Special Districts (8%), based upon average daily cash balances.

Finally, Chart 5 compares the County's return to various indexes on a quarterly basis.

The investment portfolio as of the quarter ending September 30, 2009 is in compliance with the Treasurer's statement of investment policy.

The Treasurer's Investment Pool has sufficient cash flow available to meet all budgeted expenditures for the next six months.

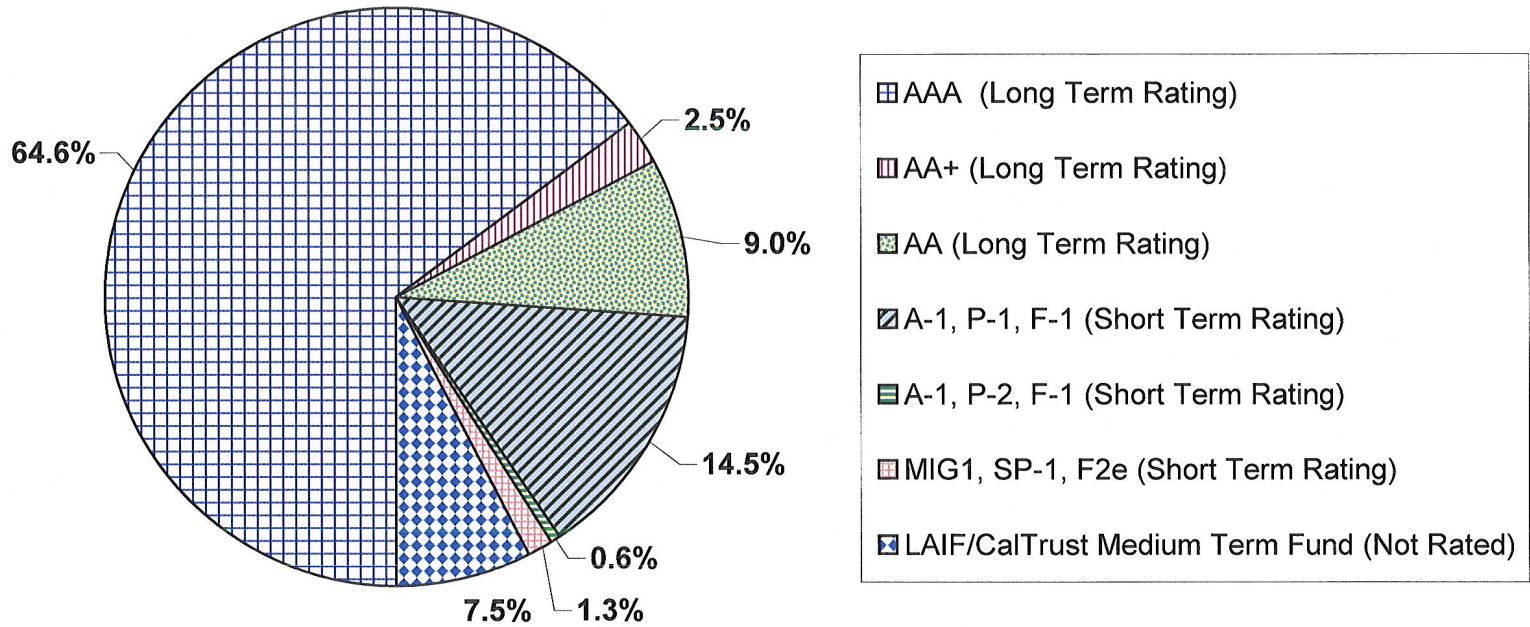
TREASURER'S INVESTMENT PORTFOLIO ASSET DISTRIBUTION BY SECTOR (PAR VALUE) 9/30/2009



Treasury Bills	\$ 20,000,000
Government Agency Notes	\$ 302,030,000
State of California Notes	\$ 10,000,000
LAIF - State Investment Pool	\$ 40,000,000
CalTrust	\$ 40,000,000
Commercial Paper	\$ 62,043,000
Negotiable CDs	\$ 59,000,000
Callable Securities	\$ 173,000,000
Medium Term Notes	\$ 82,942,000
Medium Term Notes - FDIC Insured	\$ 10,000,000
TOTAL	\$ 799,015,000

CHART 1

Credit Rating At Time of Purchase By Percent of Book Value 9/30/2009



Investment Policy Requirements:

Agency of the Federal Government/US Government Sponsored: AAA

Commercial Paper of US Corporations, Assets Greater Than \$500 million: A1, P1, F1 (by two of the three rating agencies)

State of California: LAIF: N/A

CalTrust: N/A

Negotiable CD's: A1, P1, F1 (by two of the three rating agencies)

Medium Term Notes/Corporate Notes of US Corporations: Up to three years: AA- by at least two of the three rating agencies. Greater than three years: AA by at least two of the three rating agencies.

CHART 2

**TREASURER'S INVESTMENT PORTFOLIO
MATURITY DISTRIBUTION
9/30/2009**

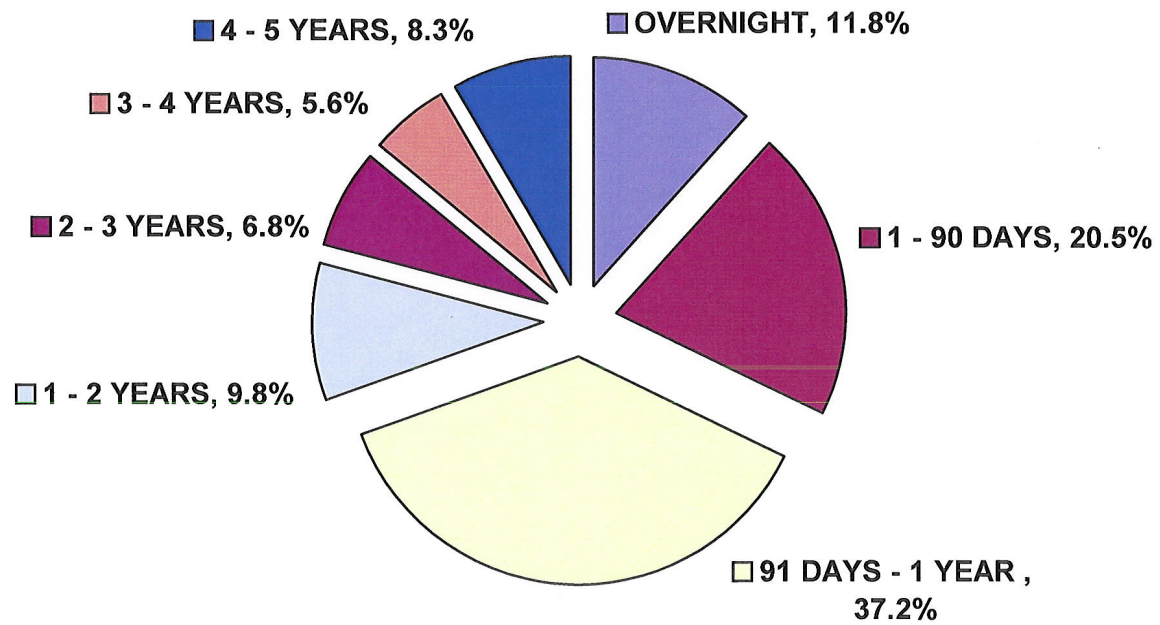
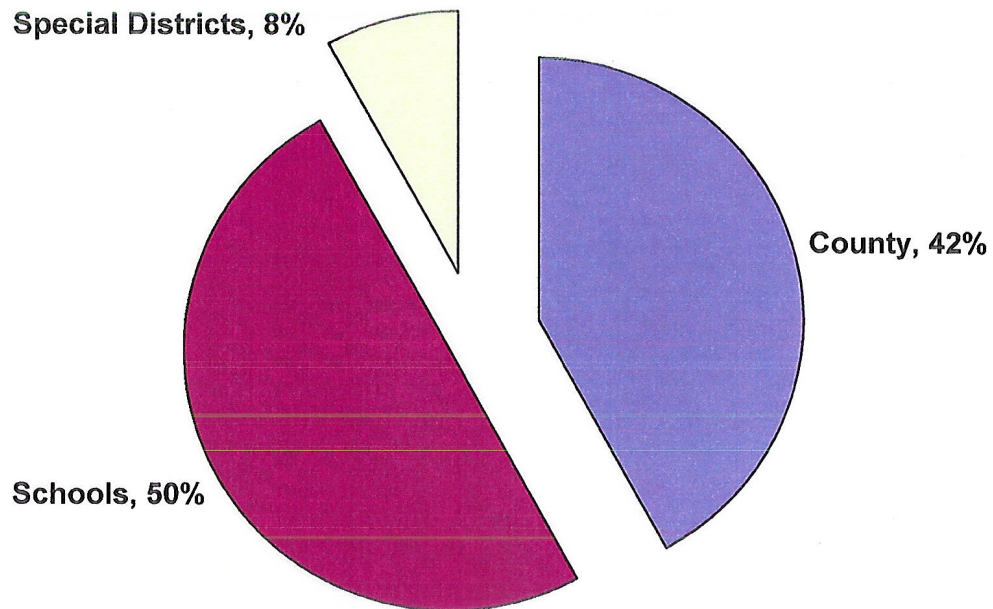


CHART 3

**TREASURER'S INVESTMENT PORTFOLIO
AVERAGE DAILY CASH BALANCE
AND INCOME DISTRIBUTION
for the Quarter Ended 9/30/09**



The average daily cash balance of all entities in the pool over the 9/30/2009 quarter was \$877,778,672. Aggregate interest earnings of \$3,261,749 was distributed to pool participants.

CHART 4

**TREASURER'S INVESTMENT PORTFOLIO
 QUARTERLY PERFORMANCE VERSUS SELECTED BENCHMARKS
 9/30/2009**

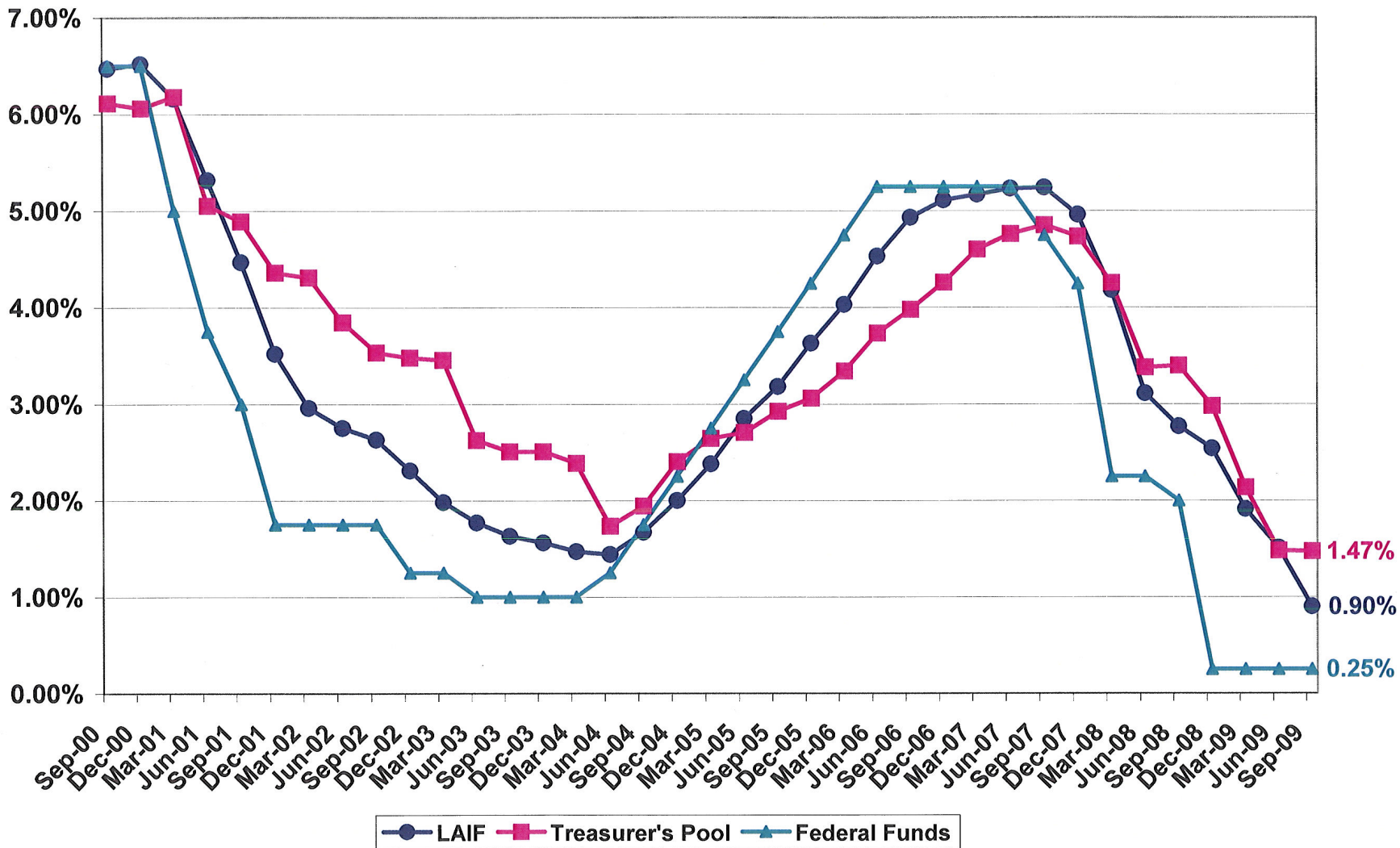


CHART 5