county of ventura

LAWRENCE L. MATHENEY
TREASURER
TAX COLLECTOR
PUBLIC ADMINISTRATOR

June 22, 2004

Don R. Hansen
Assistant Treasurer-Tax Collector

G. Paul Biolley
Assistant Public Administrator

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: REPORT OF INVESTMENTS FOR THE MONTH ENDING MAY 31, 2004, INCLUDING MARKET VALUES FOR ALL INVESTMENTS FOR THE MONTH

RECOMMENDATION: Discuss and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

The average daily portfolio balance for the month of May amounted to $1.4 billion. The portfolio yield for the month of May was 1.6%. The weighted average days to maturity increased 21days to 325 days. The total net monthly earnings were $1.9 million. The portfolio has been structured to satisfy the anticipated cash flow needs of the participants. The investment practices and portfolio holdings are in compliance with the investment policy.

The economy continued to improve during the month. Economic reports continue to suggest an overall climate of growth and expansion in most areas of the country and most parts of the economy. Some of this is moderated by ongoing problems in Iraq and concerns about terrorism both at home and abroad. While these concerns may have a dampening effect on economic activity, it has not noticeably impacted growth.

During the month, the Federal Reserve's Federal Open Market Committee (FOMC), the policy-setting arm of the Fed, met and elected to keep the current short-term interest rate structure in place. In their press release advising this continued posture, the FOMC provided this explanation:

> *The Committee continues to believe that an accommodative stance of monetary policy, coupled with robust underlying growth in productivity, is providing important ongoing support to economic activity. The evidence accumulated over the inter-meeting period indicates that output is continuing to expand at a solid rate and hiring appears to have picked up. Although incoming inflation data have moved*

> *somewhat higher, long-term inflation expectations appear to have remained well contained.*

The FOMC also appears to believe that inflationary pressures, despite the increase in the price of oil, have moved into balance and are not a significant concern. The Committee provided this assessment:

> *The Committee perceives the upside and downside risks to the attainment of sustainable growth for the next few quarters are roughly equal. Similarly, the risks to the goal of price stability have moved into balance. At this juncture, with inflation low and resource-use slack, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured.*

Economic reports, particularly those centered on employment and manufacturing, showed strength and echoed the optimistic outlook of the Fed. The unemployment rate dropped to 5.6%, while non-farm payrolls increased by a strong 288,000. The ISM manufacturing index has been above 60 for five months in a row, while factory orders, construction spending and industrial production all increased.

Interest rates continued to move higher though not at the pace of the previous two months. Short-term interest rates rose by 10 to 20 basis points while longer-term interest rates were up by 7 to 30 basis points. The markets have clearly begun to anticipate the next move by the Fed will be to raise interest rates. The improvement in economic data has caused the expectation of this move to be pushed closer with some participants expecting a rate hike in June.

Given the current interest rate environment, we anticipate the County's yield to decrease modestly. Further, we continue to seek investment opportunities in order to optimize earnings (U.S. Treasury Market graph attached).

Attached is a listing of market values provided by our custodian, Wells Fargo Bank, for all investments for the month ending May 31, 2004. GASB Statement No. 31 states that variances between the cost of investments and the fair value of investments shall not be considered budgetary resources or uses of resources unless the value of investments is permanently impaired because of decreased issuer creditworthiness or it is determined that the Treasurer is unable to hold investments to maturity.

The following is a list of attached graphs:

- Portfolio Average Monthly Balance
- Average Portfolio Maturity
- Balance Yield Comparison by Month
- Portfolio Holdings by Instrument Type
- Yield Curve, U.S. Treasury Market
- Maturity Distribution

This letter has been reviewed by the CEO, the Auditor-Controller, and County Counsel.

If you have any questions regarding this item, please call Chief Investment Officer Robert A. Hansen at 654-3733.

LAWRENCE L. MATHENEY
Treasurer-Tax Collector

LLM:ec

Attachments

Wells Fargo
Investments by ICC Code

COUNTY OF VENTURA

Account: All Accounts Selected

Financial Reporting - Maturity Date
From Month End 05/31/2004
06/01/2004 01:40:55 PM EDT

Asset Description 1 & 2	Asset ID	Maturity Date	Units	Fed Tax Cost	Market Value	Market Price	Unrealized Gain Unrealized Loss
U.S. DOLLARS			.0000	$.00	$.00	.000000	.0000
SANTA BARBARA BANK	MS1291157	05/24/2004	100,000.0000	$100,000.00	$100,000.00	1.000000	.0000
AMERICAN EXP CRT CP CPDN DTD 12/10/03 06/01/2004	02581RF16	06/01/2004	18,000,000.0000	$17,976,265.00	$18,000,000.00	100.000000	23,735.0000
CITICORP CPDN DTD 02/03/04 06/01/2004	1730E0F18	06/01/2004	10,000,000.0000	$9,992,847.22	$10,000,000.00	100.000000	7,152.7800
TOYOTA MTR CREDIT CPDN DTD 02/24/04 06/01/2004	89233GF19	06/01/2004	20,000,000.0000	$19,980,733.34	$20,000,000.00	100.000000	19,266.6600
AIG FDG INC CPDN DTD 04/14/04 06/02/2004	00137EF26	06/02/2004	60,000,000.0000	$59,950,902.78	$59,998,200.00	99.997000	47,297.2200
FED NATL MTG ASSN DISC NOTE DTD 06/09/03 06/02/2004	313588XQ3	06/02/2004	15,000,000.0000	$14,928,825.00	$15,000,000.00	100.000000	71,175.0000
GENERAL ELEC CAP CORP CPDN DTD 10/07/03 06/03/2004	36959HF36	06/03/2004	28,000,000.0000	$27,973,277.23	$27,998,320.00	99.994000	25,042.7700
GENERAL ELEC CO CPDN DTD 04/26/04 06/03/2004	36960LF34	06/03/2004	18,000,000.0000	$17,985,065.00	$17,998,920.00	99.994000	13,855.0000
AMERICAN EXP CRT CPDN DTD 02/27/04 06/04/2004	02581RF40	06/04/2004	18,500,000.0000	$18,486,499.16	$18,498,520.00	99.992000	12,020.8400
GENERAL ELEC CAPT CORP CPDN DTD 12/09/03 06/04/2004	36959HF44	06/04/2004	17,000,000.0000	$16,980,573.06	$16,998,640.00	99.992000	18,066.9400
CITICORP CPDN DTD 03/08/04 06/07/2004	1730E0F75	06/07/2004	10,000,000.0000	$9,976,483.33	$9,998,300.00	99.983000	21,816.6700
AMERICAN EXP CRT CP CPDN DTD 04/13/04 06/08/2004	02581RF81	06/08/2004	9,000,000.0000	$8,985,720.00	$8,998,200.00	99.980000	12,480.0000
FED NATL MTG ASSN DISC NOTE DTD 06/16/03 06/09/2004	313588XX8	06/09/2004	20,000,000.0000	$19,903,700.00	$19,996,000.00	99.980000	92,300.0000
GENERAL ELEC CAP CORP CPDN DTD 12/11/03 06/11/2004	36959HFB8	06/11/2004	4,000,000.0000	$3,993,591.11	$3,998,840.00	99.971000	5,248.8900
GENERAL ELEC CAP CORP CPDN DTD 09/23/03 06/14/2004	36959HFE2	06/14/2004	8,000,000.0000	$7,984,893.33	$7,996,960.00	99.962000	12,066.6700
FED NATL MTG ASSN DTD 06/21/02 3.000 06/15/2004	31359MNG4	06/15/2004	20,000,000.0000	$20,263,000.00	$20,012,600.00	100.063000	(250,400.0000)
AMERICAN EXP CRT CPDN DTD 02/17/04 06/16/2004	02581RFG3	06/16/2004	12,000,000.0000	$11,980,280.00	$11,994,720.00	99.956000	14,440.0000
GENERAL ELEC CAP CORP CPDN DTD 10/21/03 06/17/2004	36959HFH5	06/17/2004	7,500,000.0000	$7,487,679.17	$7,496,550.00	99.954000	8,870.8300
GENERAL ELEC CAP CORP CPDN DTD 12/23/03 06/21/2004	36959HFM4	06/21/2004	5,000,000.0000	$4,995,377.78	$4,997,100.00	99.942000	1,722.2200
GENERAL ELECTRIC CAPITAL CORP CPDN DTD 12/11/03 06/23/2004	36959HFP7	06/23/2004	5,000,000.0000	$4,995,088.89	$4,996,800.00	99.936000	1,711.1100
AMERICAN EXPRESS CREDIT DTD 12/30/03 06/30/2004	02581RFW8	06/30/2004	30,000,000.0000	$29,940,013.88	$29,974,800.00	99.916000	34,786.1200
FED NATL MTG ASSN DISC NOTE DTD 07/07/03 06/30/2004	313588YU3	06/30/2004	67,500,000.0000	$67,346,494.03	$67,446,000.00	99.920000	99,505.9700
AMERICAN EXP CRT CP CPDN DTD 12/17/03 07/01/2004	02581RG15	07/01/2004	5,000,000.0000	$4,994,563.89	$4,995,650.00	99.913000	1,086.1100
CITICORP CPDN DTD 04/12/04 07/01/2004	1730E0G17	07/01/2004	10,000,000.0000	$9,989,444.44	$9,991,300.00	99.913000	1,855.5600
TOYOTA MOTOR CREDIT CORP CPDN DTD 02/26/04 07/01/2004	89233GG18	07/01/2004	18,000,000.0000	$17,978,680.00	$17,984,340.00	99.913000	5,660.0000
AMERICAN EXP CRT CPDN DTD 01/05/04 07/02/2004	02581RG23	07/02/2004	15,000,000.0000	$14,984,120.83	$14,986,050.00	99.907000	1,929.1700
CITICORP CPDN DTD 04/12/04 07/02/2004	1730E0G25	07/02/2004	35,000,000.0000	$34,964,027.78	$34,967,450.00	99.907000	3,422.2200
AIG FDG INC CPDN DTD 04/05/04 07/06/2004	00137EG66	07/06/2004	53,000,000.0000	$52,890,809.72	$52,944,350.00	99.895000	53,540.2800
CITICORP CPDN DTD 04/19/04 07/07/2004	1730E0G74	07/07/2004	17,000,000.0000	$16,980,544.44	$16,981,640.00	99.892000	1,095.5600
GENERAL ELECTRIC CAPITAL CORP CPDN DTD 11/05/03 07/07/2004	36959HG76	07/07/2004	2,500,000.0000	$2,491,838.89	$2,497,300.00	99.892000	5,461.1100
TOYOTA MOTOR CREDIT CO CPDN DTD 03/26/04 07/08/2004	89233GG83	07/08/2004	10,000,000.0000	$9,970,533.33	$9,988,900.00	99.889000	18,366.6700
AIG FUNDING CPDN DTD 12/23/03 07/09/2004	00137EG90	07/09/2004	15,000,000.0000	$14,980,312.50	$14,982,900.00	99.886000	2,587.5000
GENERAL ELECTRIC CAPITAL SERV CPDN DTD 01/30/04 07/09/2004	36959RG90	07/09/2004	12,500,000.0000	$12,457,027.78	$12,485,750.00	99.886000	28,722.2200
TOYOTA MOTOR CREDIT CO CPDN DTD 03/26/04 07/09/2004	89233GG91	07/09/2004	10,000,000.0000	$9,970,250.00	$9,988,600.00	99.886000	18,350.0000
TOYOTA MOTOR CREDIT CO CPDN DTD 03/26/04 07/12/2004	89233GGC4	07/12/2004	10,000,000.0000	$9,969,400.00	$9,987,700.00	99.877000	18,300.0000
FED HOME LN DISC NOTE DTD 07/21/03 07/14/2004	313384ZJ1	07/14/2004	15,000,000.0000	$14,924,895.83	$14,982,000.00	99.880000	57,104.1700
FED HOME LN MTG CORP DTD 07/15/02 3.000 07/15/2004	3134A4PX6	07/15/2004	20,000,000.0000	$20,315,600.00	$20,043,800.00	100.219000	(271,800.0000)
STUDENT LN MKTG ASSN DTD 06/14/02 3.375 07/15/2004	86387UBF1	07/15/2004	5,000,000.0000	$5,121,450.00	$5,012,500.00	100.250000	(108,950.0000)
FED HOME LN BK DISC NOTE DTD 07/22/03 07/16/2004	313384ZL6	07/16/2004	15,000,000.0000	$14,923,668.75	$14,980,500.00	99.870000	56,831.2500
GENERAL ELEC CAP CORP CPDN DTD 01/20/04 07/16/2004	36959HGG6	07/16/2004	5,000,000.0000	$4,991,911.11	$4,993,250.00	99.865000	1,338.8900
FED NATL MTG ASSN DISC NOTE DTD 07/28/03 07/21/2004	313588ZR9	07/21/2004	17,900,000.0000	$17,808,113.33	$17,874,940.00	99.860000	66,826.6700
FED NATL MTG ASSN DISC NOTE DTD 08/11/03 08/04/2004	313588A70	08/04/2004	15,000,000.0000	$14,929,800.00	$14,971,500.00	99.810000	41,700.0000
FED NATL MTG ASSN DISC NOTE DTD 08/18/03 08/11/2004	313588B61	08/11/2004	37,000,000.0000	$36,826,254.17	$36,922,300.00	99.790000	96,045.8300
FED HOME LN BK DISC NOTE DTD 08/26/03 08/20/2004	313384C72	08/20/2004	10,000,000.0000	$9,948,866.67	$9,976,000.00	99.760000	27,133.3300
FED NATL MTG ASSN DISC NOTE DTD 09/08/03 09/01/2004	313588E35	09/01/2004	7,000,000.0000	$6,967,870.00	$6,979,000.00	99.700000	11,130.0000
FED HOME LN BK DISC NOTE DTD 09/09/03 09/03/2004	313384E54	09/03/2004	15,000,000.0000	$14,929,875.00	$14,953,500.00	99.690000	23,625.0000
FED HOME LN DISC NOTE DTD 09/15/03 09/08/2004	313384F20	09/08/2004	7,000,000.0000	$6,966,481.67	$6,977,600.00	99.680000	11,118.3300
FIRST BANK CD DTD 09/13/03 1.400 09/21/2004	MS1315899	09/21/2004	100,000.0000	$100,000.00	$100,000.00	1.000000	.0000
FED FARM CREDIT BANK DTD 12/02/02 2.070 11/29/2004	31331QJW8	11/29/2004	20,000,000.0000	$20,000,000.00	$20,056,200.00	100.281000	56,200.0000
FED HOME LN BK DTD 01/08/02 4.125 01/14/2005	3133MKYS0	01/14/2005	20,000,000.0000	$20,897,600.00	$20,306,200.00	101.531000	(591,400.0000)
FED HOME LN BK DTD 08/01/03 1.750 08/15/2005	3133X0E96	08/15/2005	26,500,000.0000	$26,367,155.00	$26,367,500.00	99.500000	345.0000
FED FARM CREDIT BK DTD 09/12/03 2.000 09/12/2005	31331TED9	09/12/2005	20,000,000.0000	$20,000,000.00	$19,937,600.00	99.688000	(62,400.0000)
FED NATL MTG ASSN DTD 08/22/03 1.875 09/15/2005	31359MTB9	09/15/2005	20,000,000.0000	$19,881,400.00	$19,900,000.00	99.500000	18,600.0000
FED FARM CREDIT BK DTD 09/17/03 2.150 10/17/2005	31331TDZ1	10/17/2005	12,000,000.0000	$12,000,000.00	$11,970,000.00	99.750000	(30,000.0000)

Wells Fargo
Investments by ICC Code

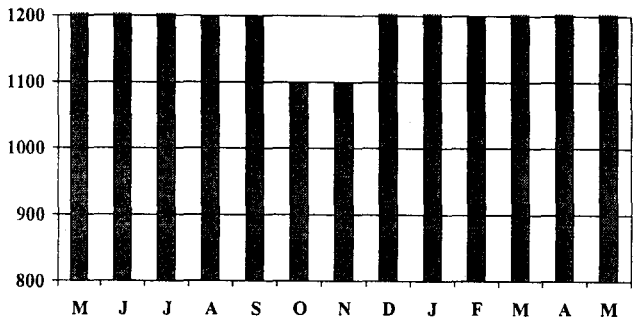
COUNTY OF VENTURA

Account: All Accounts Selected

Financial Reporting - Maturity Date
From Month End 05/31/2004
06/01/2004 01:40:55 PM EDT

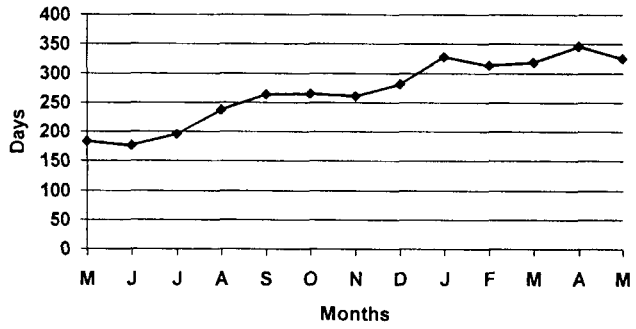
Asset Description 1 & 2	Asset ID	Maturity Date	Units	Fed Tax Cost	Market Value	Market Price	Unrealized Gain Unrealized Loss
FED HOME LN BK SER 8105 DTD 11/05/02 2.500 11/15/2005	3133MTL89	11/15/2005	10,000,000.0000	$10,063,400.00	$10,012,500.00	100.125000	(50,900.0000)
FED HOME LN BK SER 4S05 DTD 06/05/03 1.960 12/05/2005	31339X4T8	12/05/2005	10,000,000.0000	$9,944,400.00	$9,925,000.00	99.250000	(19,400.0000)
FED FARM CREDIT BK DTD 12/01/03 2.150 01/03/2006	31331TLS8	01/03/2006	25,000,000.0000	$25,000,000.00	$24,851,500.00	99.406000	(148,500.0000)
FED NATL MTG ASSN DTD 07/30/03 2.180 01/30/2006	3136F34B9	01/30/2006	10,000,000.0000	$10,000,000.00	$9,937,500.00	99.375000	(62,500.0000)
FED HOME LN BK DTD 01/21/03 2.500 03/15/2006	3133MVHK2	03/15/2006	10,000,000.0000	$10,090,200.00	$9,968,800.00	99.688000	(121,400.0000)
FED FARM CREDIT BK DTD 01/15/03 2.500 03/15/2006	31331QRY5	03/15/2006	14,000,000.0000	$13,999,720.00	$13,947,500.00	99.625000	(52,220.0000)
FED NATL MTG ASSN DTD 09/29/03 2.340 03/29/2006	3136F4JE5	03/29/2006	20,000,000.0000	$20,012,500.00	$19,868,800.00	99.344000	(143,700.0000)
FED HOME LN BK DTD 04/15/03 2.250 05/15/2006	3133MYCH8	05/15/2006	25,000,000.0000	$24,920,500.00	$24,734,500.00	98.938000	(186,000.0000)
FED HOME LN BK SER 4906 DTD 05/05/03 2.125 05/15/2006	3133MYRT6	05/15/2006	19,000,000.0000	$18,911,418.29	$18,732,860.00	98.594000	(178,558.2900)
FED HOME LN BK DTD 08/26/03 2.490 05/26/2006	3133X0GD5	05/26/2006	20,000,000.0000	$20,000,000.00	$19,843,800.00	99.219000	(156,200.0000)
FED HOME LN BK DTD 05/22/03 1.875 06/15/2006	31339XAZ7	06/15/2006	15,000,000.0000	$14,879,926.22	$14,709,450.00	98.063000	(170,476.2200)
FED NATL MTG ASSN DTD 04/23/04 2.500 06/15/2006	31359MVA8	06/15/2006	10,000,000.0000	$10,010,300.00	$9,915,600.00	99.156000	(94,700.0000)
FED NATL MTG ASSN DTD 06/27/03 2.100 06/26/2006	3136F3VT0	06/26/2006	18,000,000.0000	$17,814,600.00	$17,718,840.00	98.438000	(95,760.0000)
FED FARM CREDIT BK DTD 02/09/04 2.125 07/17/2006	31331TTV3	07/17/2006	40,000,000.0000	$39,883,851.07	$39,300,000.00	98.250000	(583,851.0700)
FED HOME LN BK DTD 07/28/03 2.080 07/28/2006	31339YP48	07/28/2006	20,000,000.0000	$20,000,000.00	$19,618,800.00	98.094000	(381,200.0000)
FED HOME LN BK DTD 07/24/03 2.375 08/15/2006	3133X06K0	08/15/2006	20,000,000.0000	$19,967,969.58	$19,737,600.00	98.688000	(230,369.5800)
FED HOME LN BK DTD 09/08/03 2.875 09/15/2006	3133X14N4	09/15/2006	20,000,000.0000	$20,407,600.00	$19,925,000.00	99.625000	(482,600.0000)
FED FARM CREDIT BK DTD 10/01/03 2.375 10/02/2006	31331TGN5	10/02/2006	14,000,000.0000	$14,032,410.00	$13,776,840.00	98.406000	(255,570.0000)
FED FARM CREDIT BK DTD 10/30/03 2.650 10/30/2006	31331TJH5	10/30/2006	20,000,000.0000	$20,000,000.00	$19,781,200.00	98.906000	(218,800.0000)
FED HOME LN BK DTD 11/05/03 2.750 11/15/2006	3133X2B46	11/15/2006	20,000,000.0000	$20,185,000.00	$19,812,600.00	99.063000	(372,400.0000)
FED NATL MTG ASSN DTD 10/24/03 2.625 11/15/2006	31359MTN3	11/15/2006	10,000,000.0000	$9,987,000.00	$9,878,100.00	98.781000	(108,900.0000)
FED NATL MTG ASSN DTD 05/21/03 2.750 11/21/2006	3136F3RB4	11/21/2006	15,000,000.0000	$15,047,291.27	$14,878,200.00	99.188000	(169,091.2700)
FED FARM CREDIT BK DTD 12/18/03 2.750 12/18/2006	31331TNG2	12/18/2006	15,000,000.0000	$15,056,850.00	$14,817,150.00	98.781000	(239,700.0000)
FED NATL MTG ASSN DTD 06/26/03 2.100 12/26/2006	3136F3YX8	12/26/2006	17,000,000.0000	$16,831,710.66	$16,564,460.00	97.438000	(267,250.6600)
FED HOME LN BK SER T307 DTD 02/06/03 2.875 02/15/2007	3133MW2K6	02/15/2007	50,000,000.0000	$50,506,148.14	$49,469,000.00	98.938000	(1,037,148.1400)
FED FARM CREDIT BK DTD 04/16/04 2.550 04/16/2007	31331TD24	04/16/2007	8,300,000.0000	$8,249,908.93	$8,110,677.00	97.719000	(139,231.9300)
GRAND TOTAL			**1,378,400,000.0000**	**$1,378,532,508.60**	**$1,372,422,067.00**		**(6,110,441.6000)**

PORTFOLIO AVERAGE MONTHLY BALANCE



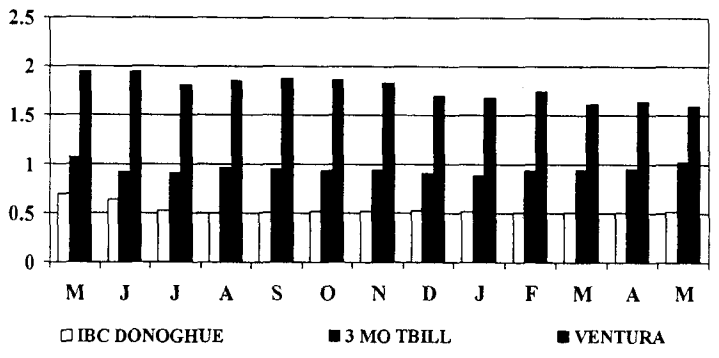
05-04INV.PPT

AVERAGE MATURITY



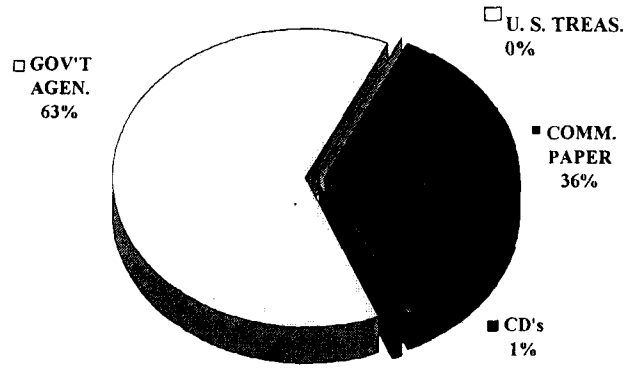
05-04INV.PPT

YIELD COMPARISON



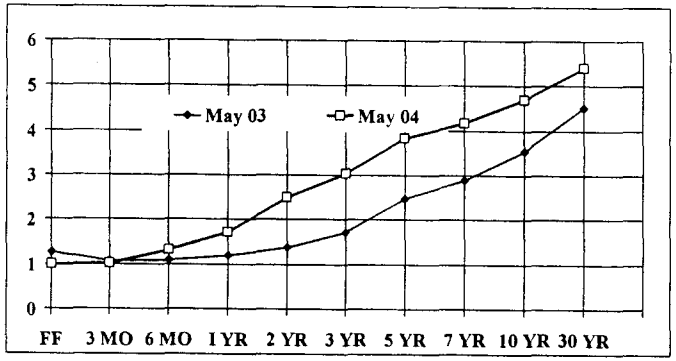
05-04INV.PPT

PORTFOLIO HOLDINGS`



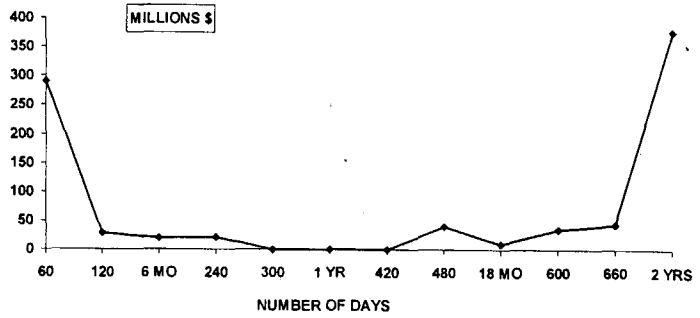
05-04INV.PPT

YIELD CURVE



05-04INV.PPT

MATURITY DISTRIBUTION



05-04INV.PPT