



**City of Pittsburg
Finance Division
65 Civic Avenue
Pittsburg, California 94565**

November 8, 2016

Honorable Mayor and City Council:

I have reviewed the City of Pittsburg's Treasury Report for the quarter ending September 30, 2016, and find that it complies with the Investment Policy established by my office.

Sincerely,

A handwritten signature in blue ink that reads "Nancy Parent". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Nancy Parent
City Treasurer

CITY OF PITTSBURG
Cash & Investment Portfolio
FY 2016/17- 1st Quarter

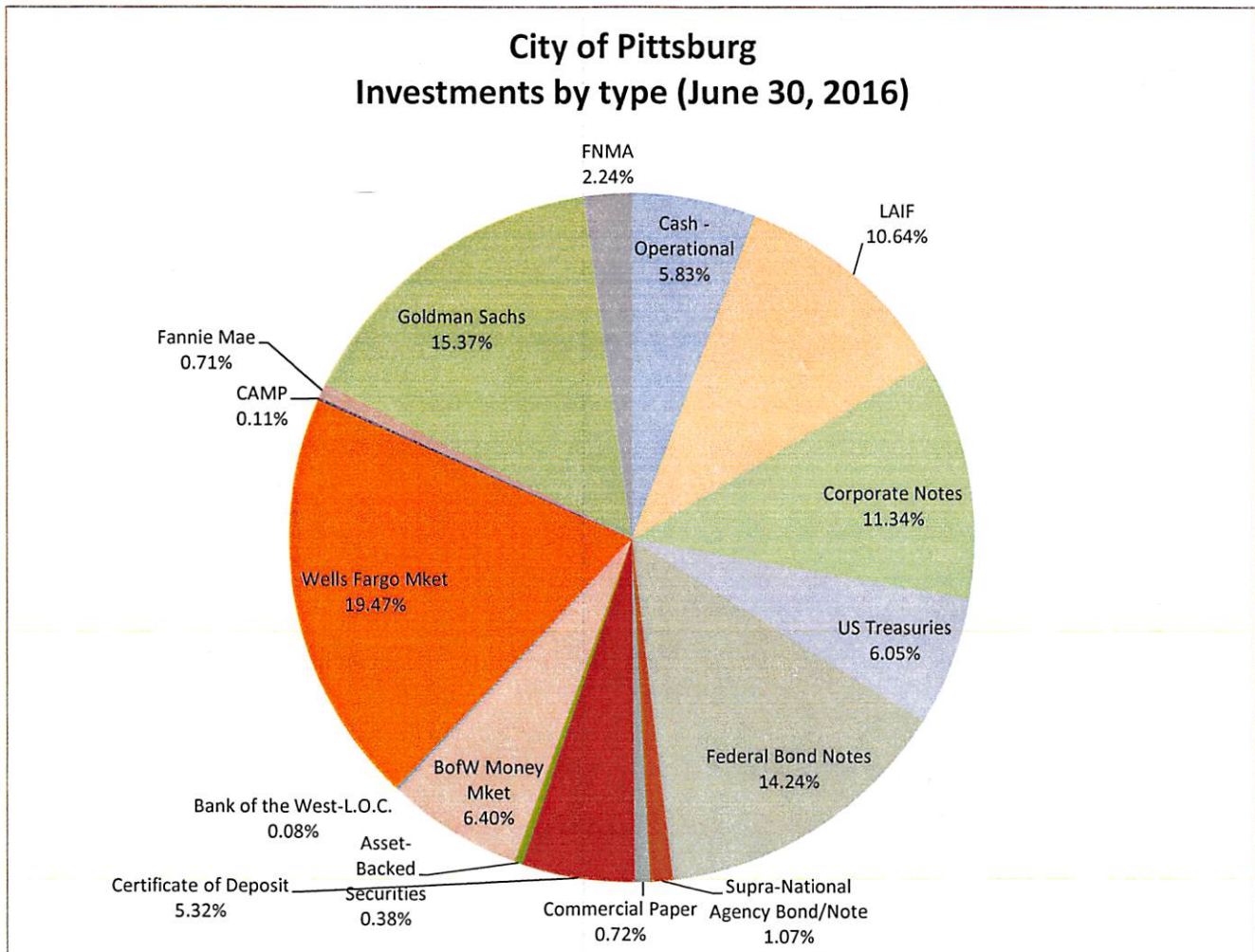
Table I

DESCRIPTION	BALANCE 6/30/16/2016	BALANCE 09/30/16	FAIR MKT VALUE (09/2016 Factor)
<u>CASH & INVESTMENTS:</u>			
LAIF City Operating	\$ 19,832,617	\$ 12,881,813	\$ 12,885,755
Operating Cash & Investment Accounts	63,885,043	62,284,667	62,408,953
TOTAL CITY INVESTMENTS:	\$ 83,717,660	\$ 75,166,480	\$ 75,294,709
<u>FISCAL AGENT INVESTMENTS:</u>			
Miscellaneous Debt Service Operating Accounts	\$ 701,041	\$ 676,890	\$ 676,890
Pension Obligation Bond-Reserve Funds	2,755,693	3,542,051	3,542,051
Assessment District Bonds-Reserve Funds	2,760,621	2,751,494	2,761,068
Revenue Bonds-Reserve Funds	2,271,993	2,278,956	2,279,780
Tax Allocation Bonds Restricted Reserves Funds	62,406,036	36,078,187	36,076,719
Tax Allocation Bonds General Reserves Funds	637,486	637,502	637,502
Project Funds (Assmnt, Revenue, TAB)	1,958,019	181	181
TOTAL FISCAL AGENT INVESTMENTS:	\$ 73,490,890	\$ 45,965,262	\$ 45,974,190
TOTAL CASH & INVESTMENTS :	\$ 157,208,550	\$ 121,131,742	\$ 121,268,899

City of Pittsburgh
Investment by Type as of September 30, 2016

Table II

Description	Amount	Avg Yield	Average Duration or Maturity Date
Cash - Operational	\$ 7,060,764	5.83%	N/A
LAIF	12,881,813	10.63%	165 days
Corporate Notes	13,727,531	11.33%	903 days
US Treasuries	7,319,182	6.04%	1177 days
Federal Bond Notes	17,243,213	14.24%	801 days
Supra-National Agency Bond/Note	1,296,900	1.07%	806 days
Commercial Paper	873,202	0.72%	95 days
Certificate of Deposit	6,445,000	5.32%	371 days
Asset-Backed Securities	464,934	0.38%	1541 days
BofW Money Mkt	7,751,598	6.40%	N/A
Bank of the West-L.O.C.	102,344	0.08%	N/A
Wells Fargo Mkt	23,575,938	19.46%	N/A
CAMP	135,391	0.11%	N/A
Fannie Mae	858,771	0.71%	N/A
Goldman Sachs	18,612,277	15.37%	N/A
FNMA	2,712,336	2.24%	N/A
Cash	70,548	0.06%	N/A
GRAND TOTAL:	\$ 121,131,741	100.00%	





**JOHN CHIANG
TREASURER
STATE OF CALIFORNIA**



Table III

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/19/16	0.63	0.61	158
09/20/16	0.63	0.61	156
09/21/16	0.63	0.61	156
09/22/16	0.64	0.61	155
09/23/16	0.64	0.61	160
09/24/16	0.64	0.61	160
09/25/16	0.64	0.61	160
09/26/16	0.64	0.61	157
09/27/16	0.64	0.61	157
09/28/16	0.64	0.61	160
09/29/16	0.64	0.61	162
09/30/16	0.65	0.61	165
10/01/16	0.65	0.65	165
10/02/16	0.65	0.65	165
10/03/16	0.65	0.65	169
10/04/16	0.65	0.65	170
10/05/16	0.65	0.65	170
10/06/16	0.65	0.65	169
10/07/16	0.65	0.65	171
10/08/16	0.65	0.65	171
10/09/16	0.65	0.65	171
10/10/16	0.65	0.65	168
10/11/16	0.65	0.65	169
10/12/16	0.65	0.65	168
10/13/16	0.65	0.65	170
10/14/16	0.66	0.65	171
10/15/16	0.66	0.65	171
10/16/16	0.66	0.65	171
10/17/16	0.65	0.65	168
10/18/16	0.65	0.65	167
10/19/16	0.65	0.65	166

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Conference
October 25, 2016
[Register Now!](#)

LAIF Performance Report

Quarter Ending 09/30/16

Apportionment Rate: 0.60%
 Earnings Ratio: .00001651908048883
 Fair Value Factor: 1.000306032
 Daily: 0.65%
 Quarter to Date: 0.61%
 Average Life: 165

PMIA Average Monthly Effective Yields

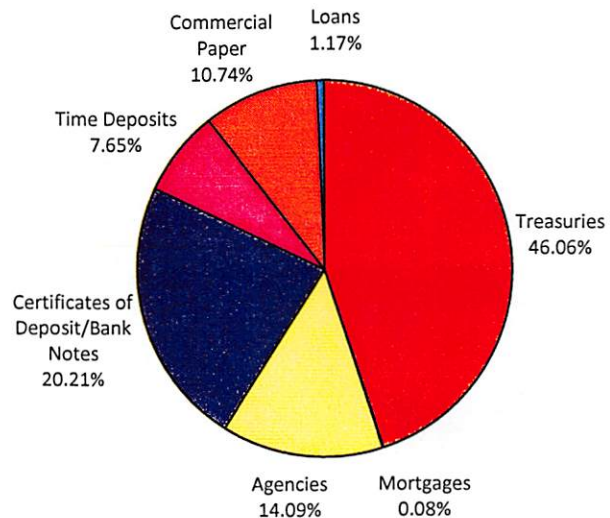
Sep 2016 **0.634%**
 Aug 2016 0.614%
 Jul 2016 0.588%

Pooled Money Investment Account

Portfolio Composition

09/30/16

\$68.3 billion





PFM Asset Management LLC

CITY OF PITTSBURG

Investment Performance Review For the Quarter Ended September 30, 2016

Client Management Team

Monique Spyke, Director

PFM Asset Management LLC

50 California Street, Suite 2300
San Francisco, CA 94111
415-982-5544

One Keystone Plaza, Suite 300
Harrisburg, PA 17101-2044
717-232-2723

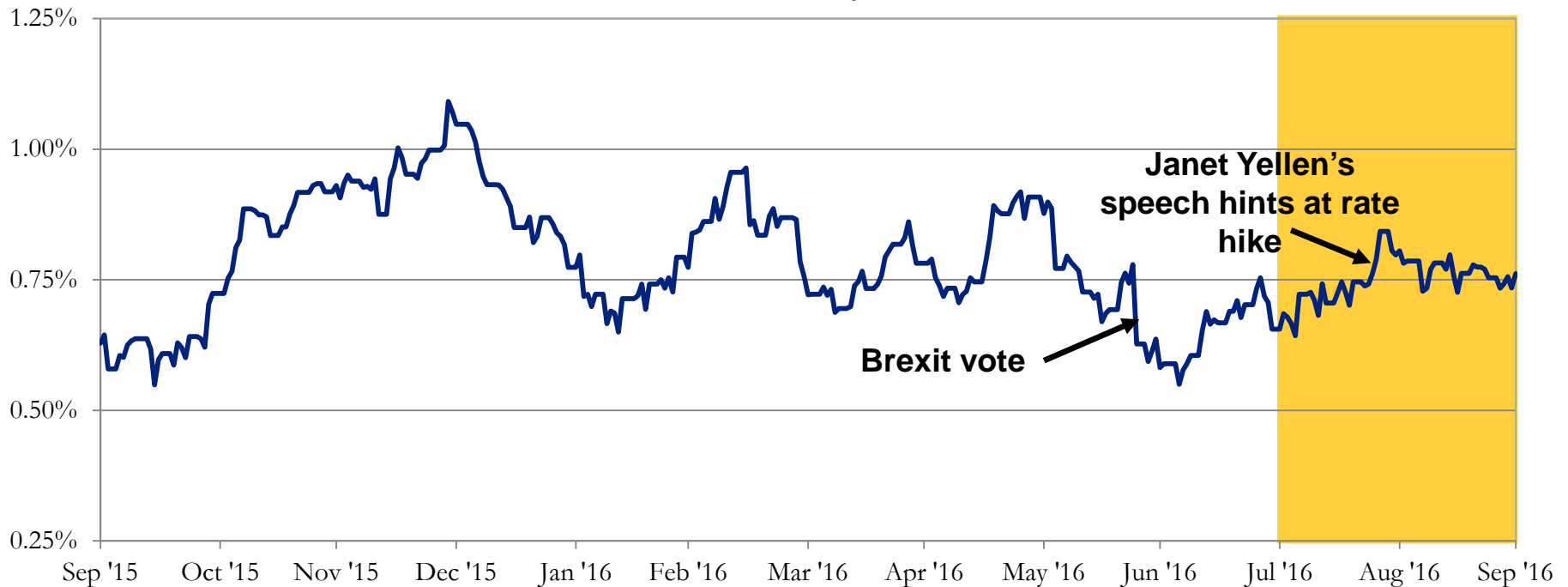


Market Update

2-Year Treasury Yields Increase

- Following the sharp decline in yields instigated by the Brexit vote at the end of the second quarter, yields rebounded during the third quarter, resulting in a quarter-over-quarter increase of 16 basis points for the 2-year Treasury.
- Speeches by various Fed officials during the quarter hinted at an additional rate hike before year-end, causing a further bump in yields.

2-Year Treasury Yields



Source: Bloomberg. As of 09/30/16.

Fed Holds off in September but Hints at Imminent Rate Hike

- At the Federal Reserve’s September meeting, they voted to keep the fed funds target range at 0.25% to 0.50%.
 - However, three dissenters cast their votes *in favor* of a rate hike.
- Highlights from the September 21 Press Release:
 - “. . . the labor market has continued to strengthen, and growth of economic activity has picked up . . .”
 - “The Committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives.”
 - “. . . the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run.”

Probability of Fed Rate Hike				
Meeting	9/30/16	8/31/16	7/31/16	6/30/16
11/02/16	17%	42%	20%	0%
12/14/16	60%	60%	36%	9%
02/01/17	61%	62%	36%	9%
03/15/17	66%	68%	41%	13%
05/03/17	68%	70%	42%	14%
6/14/17	72%	74%	46%	23%

Sources: Federal Reserve and Bloomberg. WTRP.

Fed Projections Revised Downward

- In the post-meeting press conference, Janet Yellen shared insight on the Fed’s outlook and decision-making process.
- When questioned about the consistent downward revisions, Yellen emphasized that the economic outlook is inherently uncertain and that there is no preset, fixed plan for future policy.

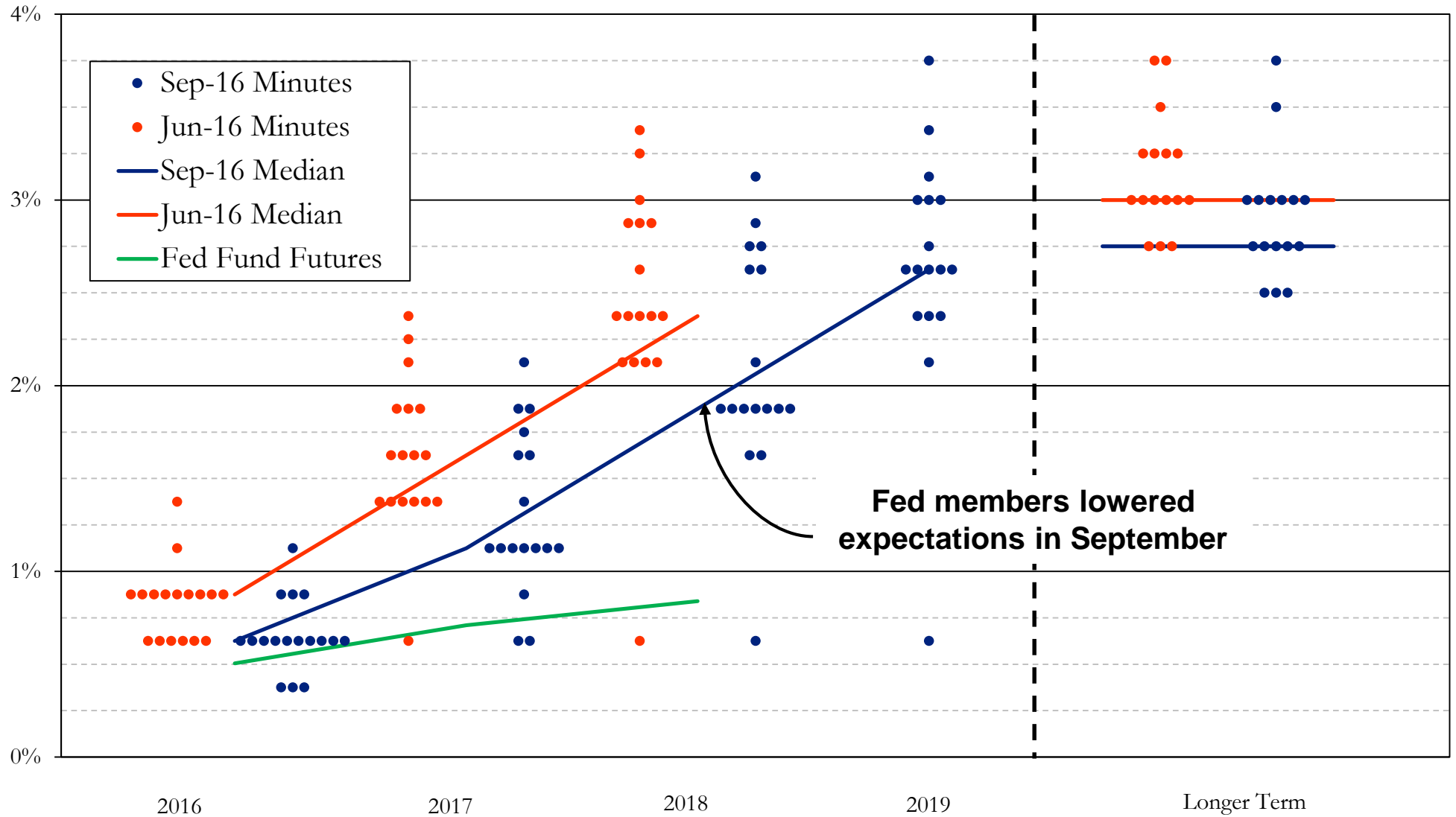
“We’re struggling with a difficult set of issues about what is the new normal in this economy, and the global economy more generally, which explains why we keep revising down the rate path.”



Indicator	Actual 2015	2016		2017		2018		2019		Longer run	
		June	Sept.	June	Sept.	June	Sept.	June	Sept.	June	Sept.
Real GDP (YoY)	2.0%	2.0%	1.8%	2.0%	2.0%	2.0%	2.0%	N/A	1.8%	2.0%	1.8%
Unemployment Rate	5.0%	4.7%	4.8%	4.6%	4.6%	4.6%	4.5%	N/A	4.6%	4.8%	4.8%
PCE Inflation (YoY)	0.7%	1.4%	1.3%	1.9%	1.9%	2.0%	2.0%	N/A	2.0%	2.0%	2.0%
Core PCE (YoY)	1.4%	1.7%	1.7%	1.9%	1.8%	2.0%	2.0%	N/A	2.0%	-	-
Federal Funds Rate (Median)	0.4%	0.9%	0.6%	1.6%	1.1%	2.4%	1.9%	N/A	2.6%	3.0%	2.9%

Sources: Federal Reserve and Reuters.

FOMC "Dot Plot"

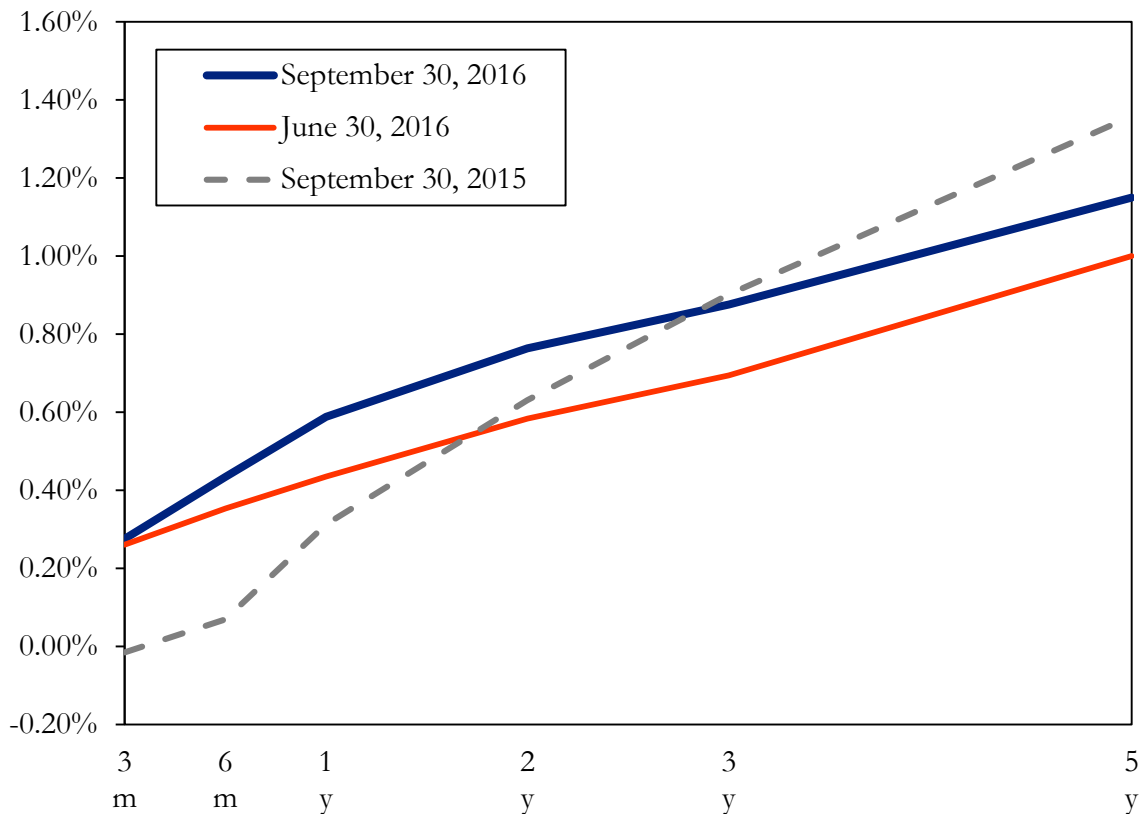


Source: FOMC; Fed Funds Futures as of 09/20/2016. Individual dots represent each of the 17 FOMC members' judgment of the midpoint of the appropriate target range for the federal funds rate.

Yields Increase Across the Board

- Yields on short- and intermediate-term U.S. Treasuries increased during the quarter as the markets priced in a likely rate hike by year-end.

U.S. Treasury Curve

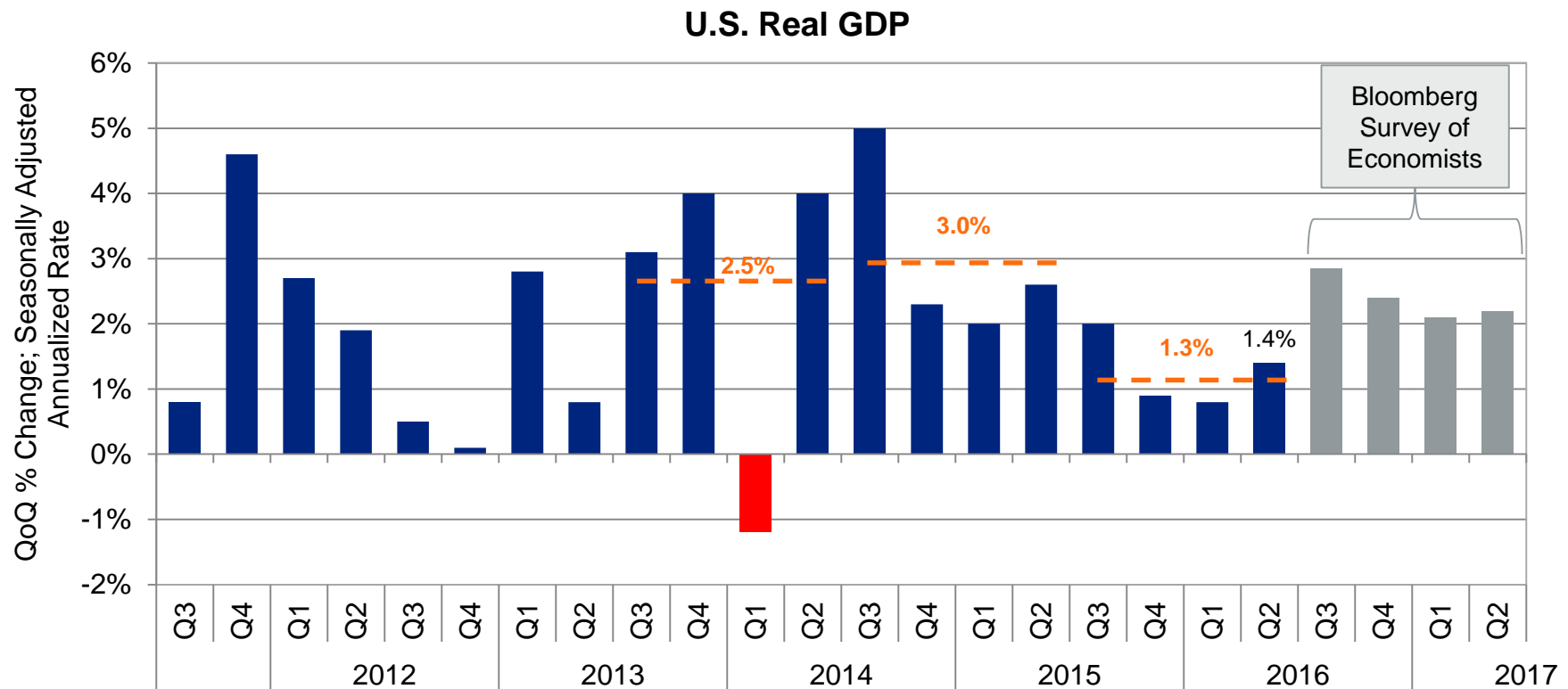


	9/30/16	6/30/16	12/31/15
3-month	0.27%	0.25%	0.16%
6-month	0.43%	0.35%	0.47%
1-year	0.59%	0.44%	0.60%
2-year	0.76%	0.60%	1.05%
3-year	0.88%	0.71%	1.31%
5-year	1.15%	1.02%	1.76%

Source: Bloomberg.

U.S. Economy on Disappointing Growth Track

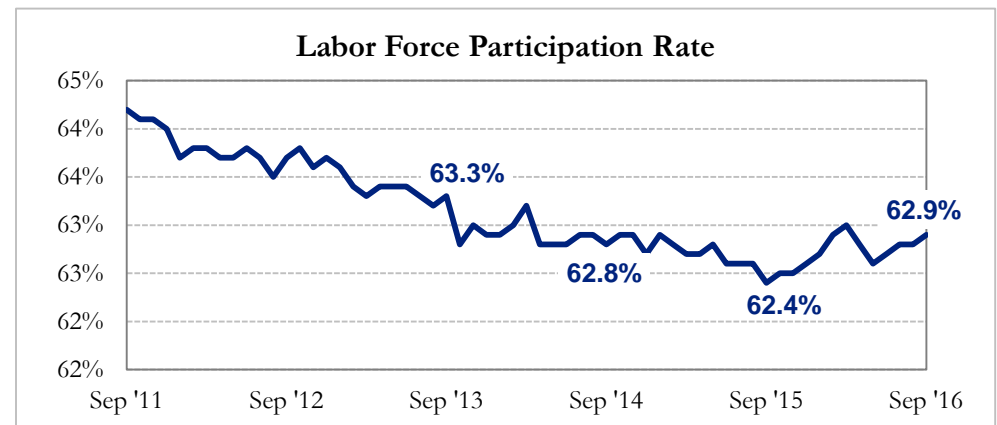
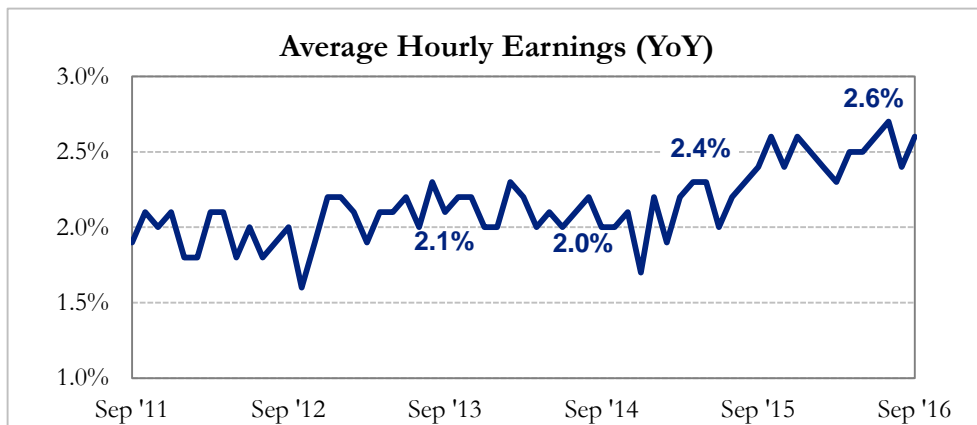
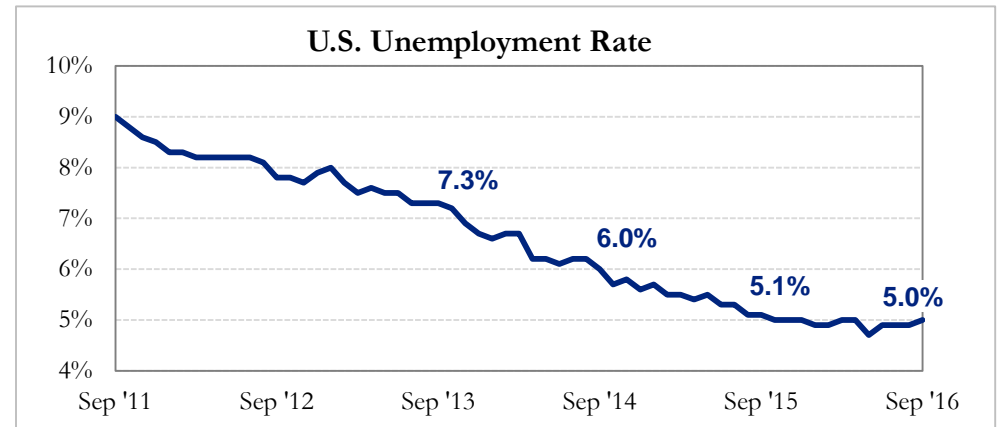
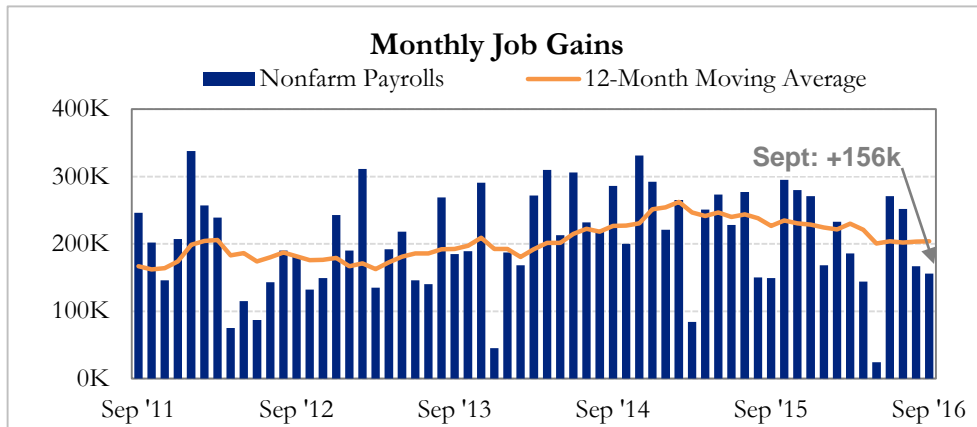
- U.S. GDP growth increased at an annual rate of 1.4% in the second quarter of 2016, according to the Bureau of Economic Analysis. This was revised up from 1.1%, but still paints the same picture of moderate growth in the U.S.
- Second quarter GDP reflected positive contributions from personal consumption, which contributed the most to GDP since the fourth quarter of 2014. Business investment detracted from GDP for the third quarter in a row, the most since the second quarter of 2009, amid a significant decline in inventories.



Source: Bureau of Economic Analysis; Bloomberg survey results as of 10/03/16. Orange is average over last 12 months.

U.S. Labor Market Remains Strong

- The U.S. economy added 156,000 net new jobs in September, continuing the trend of favorable job growth but undershooting economists' expectations of 172,000 net new jobs.
- The unemployment rate ticked up slightly to 5.0% while the labor force participation rate increased to 62.9%, suggesting that more individuals are re-entering the workforce as the labor market approaches full employment.

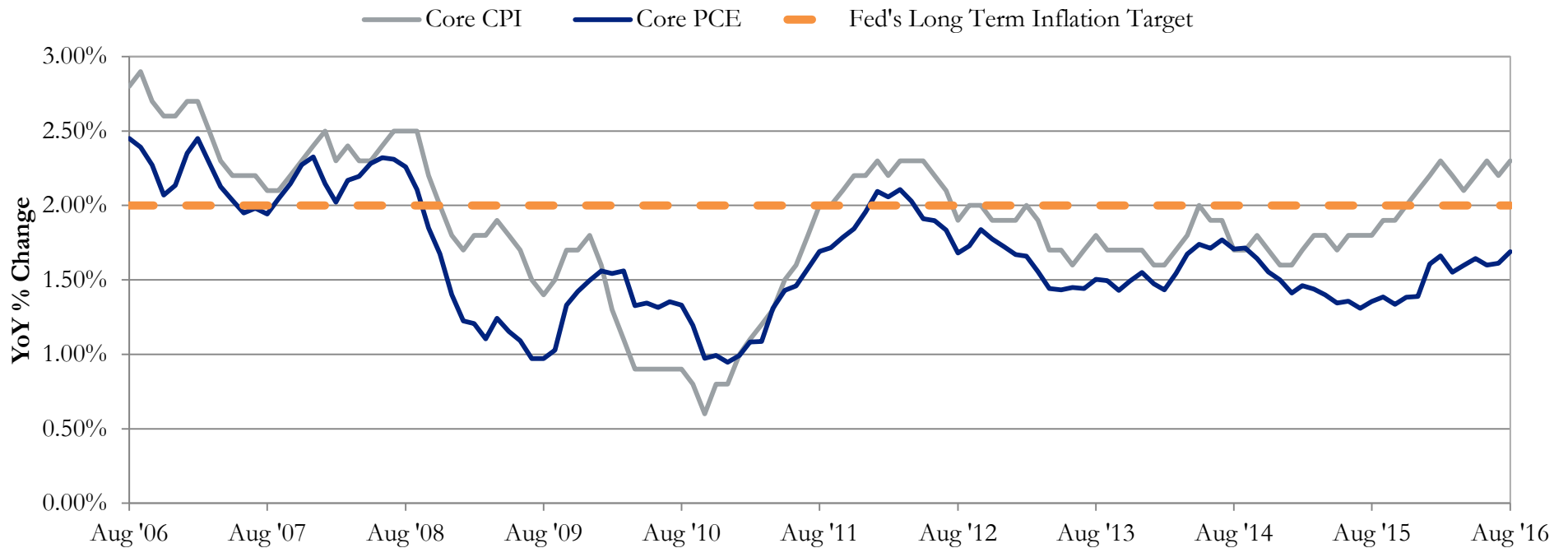


Source: Bureau of Labor Statistics

Inflation Inches Upward but Continues to Undershoot the Fed's Target

- The core personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, continues to undershoot the 2% target but has shown modest improvement in recent months, increasing 1.7% year-over-year in August.
- Wage growth continues to show modest improvement, while higher prices from housing and health care remain strong drivers of inflation.

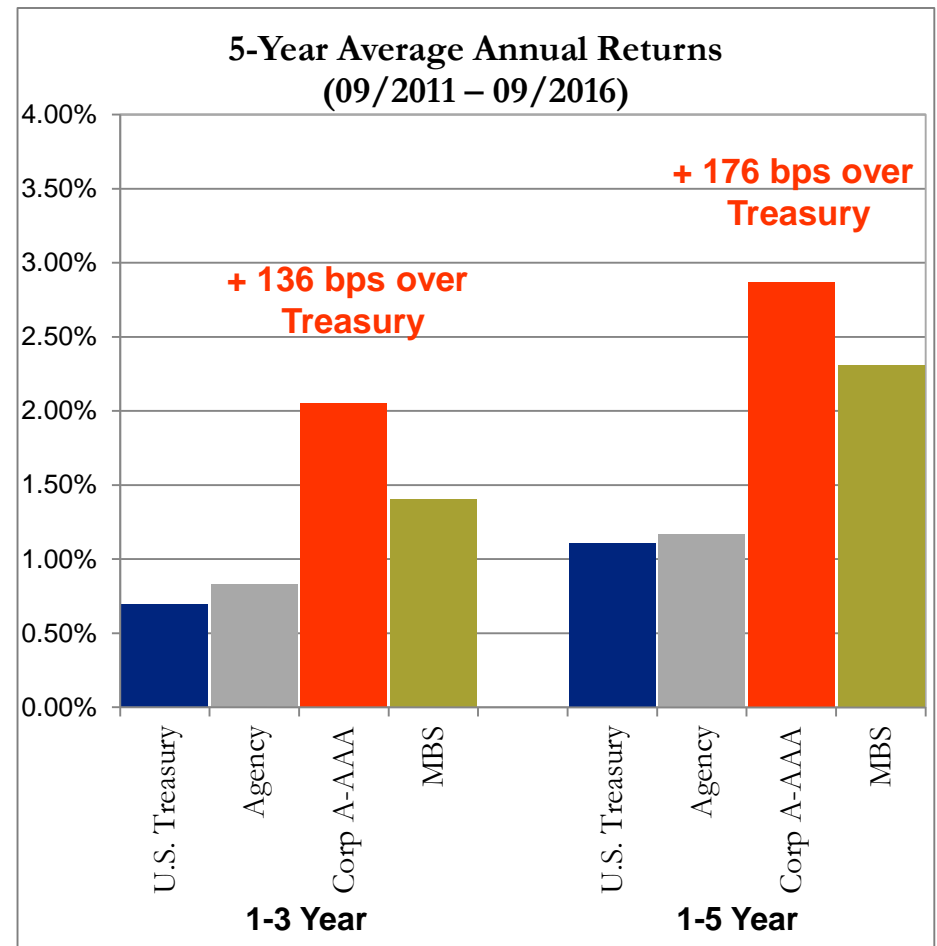
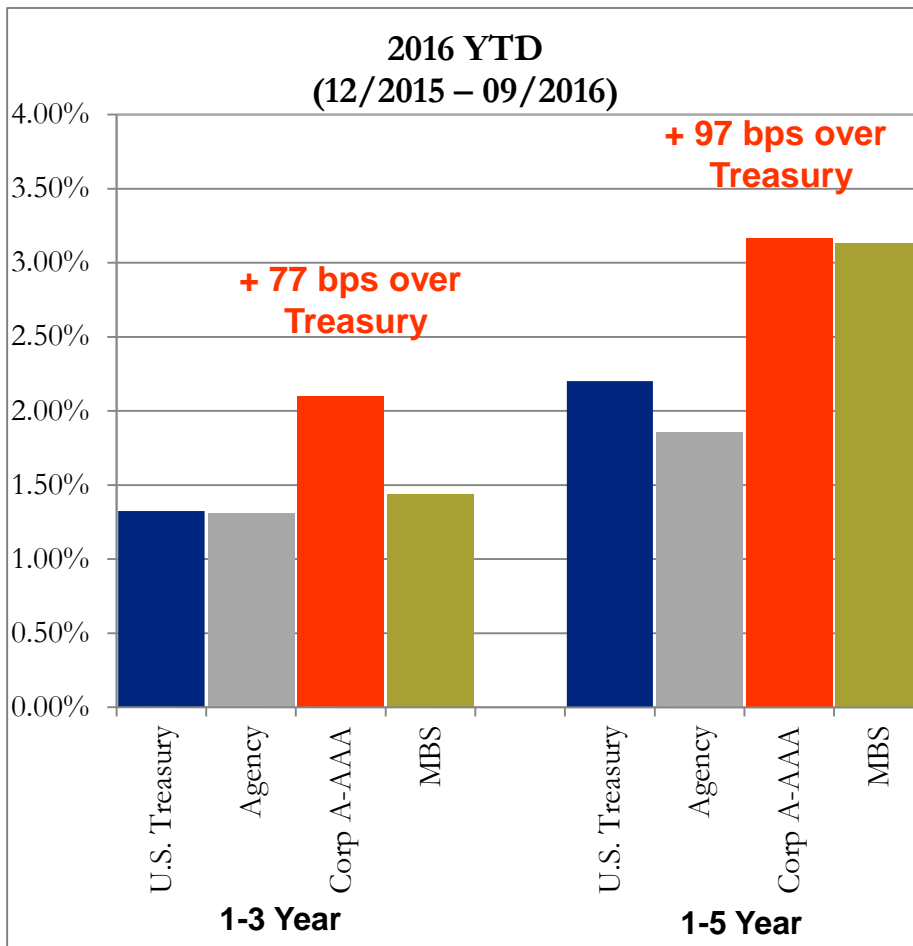
Inflation Measures
Consumer Price Index vs Personal Consumption Expenditures



Source: Bloomberg.

Corporates Continue to Add Value

- As economic conditions continue to strengthen domestically, corporates continue to deliver strong performance over both shorter-term and longer-term periods.



Source: Bloomberg.

Agency Spreads Tighten

- Agency yield spreads moved modestly tighter during the quarter, retracing the temporary widening that took place post-Brexit. Value remained in 2, 3, and 5-year Federal Agency new-issue securities.

2-Year Agency/2-Year Treasury Yield Spread



Source: Bloomberg.



Investment Strategy

Quarter Ended September 30, 2016 - Strategy Recap

- Yields drifted modestly higher during the third quarter as early-quarter Brexit fears faded and U.S. economic data rebounded, bringing the Fed closer to an eventual rate hike, perhaps in December.
- Our primary strategy involved emphasizing allocations to credit instruments, including corporate notes, commercial paper, and asset-backed securities (ABS). Credit sectors provided incremental yield, a key contributor to return in a low rate environment.
- We generally held current allocations to corporate notes, rather than increasing them, as some measures of value began to get more expensive during the quarter, especially for issuers in the industrial sector. The sector's strong performance during the quarter added to its strong outperformance for the year.
- We found excellent value in commercial paper, especially for shorter-maturity mandates. Money market fund reforms that become effective in October have caused a huge shift in assets from prime funds, which typically purchase short credit instruments, to government-only funds. This swing in assets caused yield spreads to widen sharply, creating enhanced value in these sectors.
- We participated in a number of new asset-backed security (ABS) issues, as AAA-rated tranches of high quality structures offered good value, adding to returns and further diversifying portfolios.
- Given the uncertain rate environment, we generally maintained the portfolio's duration and maturity distribution to be comparable to the benchmark to reduce potential performance mismatches.

Next Quarter - Outlook and Strategy

- Our strategy continues to favor broad allocation to various credit sectors, including corporate notes, commercial paper, negotiable bank CDs, and asset-backed securities (ABS).
- We believe the best opportunities in the corporate sector are currently with issuers in the financial industry where capital is strong and valuations are fair. We are monitoring industrial issues, where valuations are generally rich and may not align with fundamentals, which are being pressured by increased leverage. At today's narrower yield spreads, new purchases will be more selective.
- Yields on commercial paper and negotiable CDs continue to offer significant yield pickup relative to short-term government securities as October money market reform has kept spread levels elevated.
- We will continue to evaluate the MBS and ABS sectors, purchasing those issues we believe are well structured, offer adequate yield spreads, and which have limited duration variability, providing further portfolio diversification when seeking incremental return.
- Agency yield spreads moved modestly tighter during the third quarter but still offer value in certain maturities. New issues, which typically offer a yield concession, offer the best opportunities.
- As we have done for most of the year, we plan to keep the duration and maturity distribution of the portfolio generally in line with the benchmark unless short-term credit securities offer better value.
- We will continue to monitor incoming economic data to assess and confirm the prospect for a Fed rate hike by year-end. In the near-term, the upcoming U.S. Presidential election could be a source of market volatility.



Investment Performance Review

<u>Security Type</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>In Compliance</u>	<u>Average Maturity</u>	<u>Average Yield</u>
Cash Equivalents	\$7,060,764	\$7,060,764	9%	✓	1	0.00%
Money Market Funds	\$7,751,598	\$7,751,598	10%	✓	1	0.29%
Investment Pools	\$12,881,813	\$12,885,755	17%	✓	1	0.60%
Total Liquidity	\$27,694,175	\$27,698,117	37%		1	0.36%
Certificates of Deposit	\$102,344	\$102,344	<1%	✓	1	0.00%
U.S. Treasuries	\$7,318,981	\$7,373,719	10%	✓	1,177	1.23%
Federal Agency Securities	\$17,243,213	\$17,316,697	23%	✓	801	1.20%
Municipal Bonds	\$0	\$0	0%	✓	-	0.00%
Commercial Paper	\$873,202	\$877,952	1%	✓	95	1.04%
Negotiable Certificates of Deposit	\$6,445,000	\$6,461,024	9%	✓	371	1.22%
Medium-Term Corporate Notes	\$13,727,531	\$13,698,401	18%	✓	903	1.92%
Asset-Backed Securities	\$464,934	\$466,386	1%	✓	1,541	1.37%
Supranational Securities	\$1,296,900	\$1,300,067	2%	✓	806	1.03%
Total Securities	\$47,472,105	\$47,596,591	63%		823	1.41%
Total Portfolio	\$75,166,280	\$75,294,708	100%		517	1.02%
Bonded Debt Portfolio	\$45,965,262	\$45,974,187				0.21%
Total	\$121,131,542	\$121,268,895				0.71%

Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.

Per issuer limit.

<u>Issuer</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>% Permitted by Policy</u>	<u>In Compliance</u>	<u>Average Maturity</u>	<u>Average Yield</u>
Cash Equivalents	7,060,764	7,060,764	9%			1	0.00%
Bank	7,060,764	7,060,764	9%	100%	✓	1	0.00%
Money Market Funds	7,751,598	7,751,598	10%			1	0.29%
Bank of the West	7,578,782	7,578,782	10%	10%	✓	1	0.29%
Wells Fargo	172,816	172,816	0%	10%	✓	1	0.19%
Investment Pools	12,881,813	12,885,755	17%			1	0.60%
Local Agency Investment Fund	12,881,813	12,885,755	17%	\$65 million	✓	1	0.60%
Certificates of Deposit	102,344	102,344	0%			1	0.00%
Bank of the West	102,344	102,344	0%	5%	✓	1	0.00%
U.S. Treasuries	7,318,981	7,373,719	10%			1177	1.23%
U.S. Treasury	7,318,981	7,373,719	10%	100%	✓	1221	1.27%
Federal Agency Securities	17,243,213	17,316,697	23%			801	1.20%
FHLMC	2,099,601	2,106,518	3%	100%	✓	301	1.01%
FNMA	12,978,259	13,040,246	17%	100%	✓	985	1.22%
FHLB	2,165,353	2,169,933	3%	100%	✓	1193	1.12%
Commercial Paper	873,202	877,952	1%			95	1.04%
BNP Paribas	873,202	877,952	1%	5%	✓	95	1.04%
Negotiable Certificates of Deposit	6,445,000	6,461,024	9%			371	1.22%
HSBC USA	1,150,000	1,152,599	2%	5%	✓	413	0.97%
Bank of Nova Scotia (Houston)	1,150,000	1,153,835	2%	5%	✓	402	1.55%
Svenska Handelsbank	1,150,000	1,152,611	2%	5%	✓	328	0.84%
BMO Harris Bank NA	1,150,000	1,151,970	2%	5%	✓	206	1.01%
Royal Bank of Canada (New York)	695,000	698,284	1%	5%	✓	525	1.69%
Skandinaviska Enskilda NY	1,150,000	1,151,725	2%	5%	✓	412	1.48%

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Per issuer limit.

<u>Issuer</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>% Permitted by Policy</u>	<u>In Compliance</u>	<u>Average Maturity</u>	<u>Average Yield</u>
Medium-Term Corporate Notes	13,727,531	13,698,401	18%			903	1.92%
IBM	1,919,346	1,755,108	2%	5%	✓	745	1.88%
Apple Inc.	1,566,302	1,594,106	2%	5%	✓	948	2.01%
JP Morgan Chase	1,986,282	2,021,210	3%	5%	✓	1210	2.36%
Bank of New York	1,388,394	1,403,863	2%	5%	✓	522	1.61%
John Deere	979,224	990,451	1%	5%	✓	755	1.87%
Wells Fargo	1,471,910	1,468,259	2%	5%	✓	1529	2.04%
Toyota	1,560,577	1,588,833	2%	5%	✓	1021	2.12%
American Express Company	554,950	559,536	1%	5%	✓	766	1.88%
General Electric	2,005,800	2,020,414	3%	5%	✓	549	1.52%
Berkshire Hathaway	294,745	296,621	0%	5%	✓	973	1.53%
Asset-Backed Securities	464,934	466,386	1%			1541	1.37%
Hyundai Auto Receivables	379,941	381,256	1%	5%	✓	1552	1.43%
John Deere Owner Trust	84,993	85,131	0%	5%	✓	1354	1.25%
Supranational Securities	1,296,900	1,300,067	2%			806	1.03%
Inter-American Development Bank	648,050	649,937	1%	100%	✓	955	1.10%
International Bank of Reconstruction and Development	648,850	650,130	1%	100%	✓	657	0.95%
Total	75,166,280	75,294,708				517	1.02%

Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.

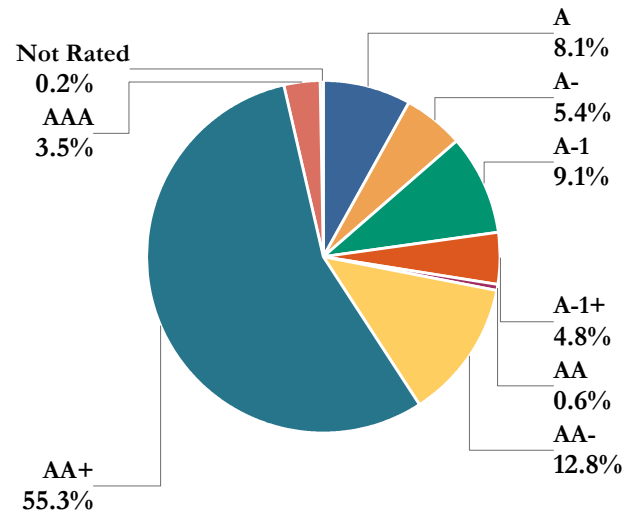
Per issuer limit.

Portfolio Statistics

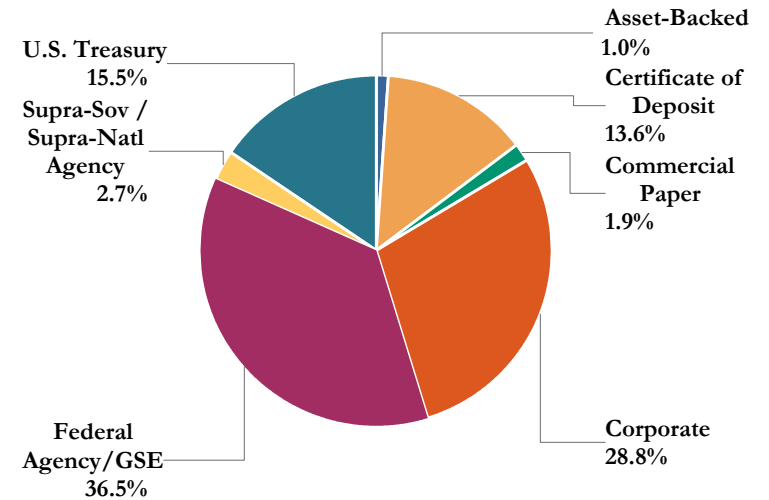
As of September 30, 2016

Par Value:	46,930,000
Total Market Value:	47,903,105
<i>Security Market Value:</i>	47,494,247
<i>Accrued Interest:</i>	236,041
<i>Cash:</i>	172,816
<i>PFM</i>	-
Amortized Cost:	47,159,668
Yield at Market:	1.04%
Yield at Cost:	1.41%
Effective Duration:	2.13 Years
Duration to Worst:	2.18 Years
Average Maturity:	2.26 Years
Average Credit: *	AA

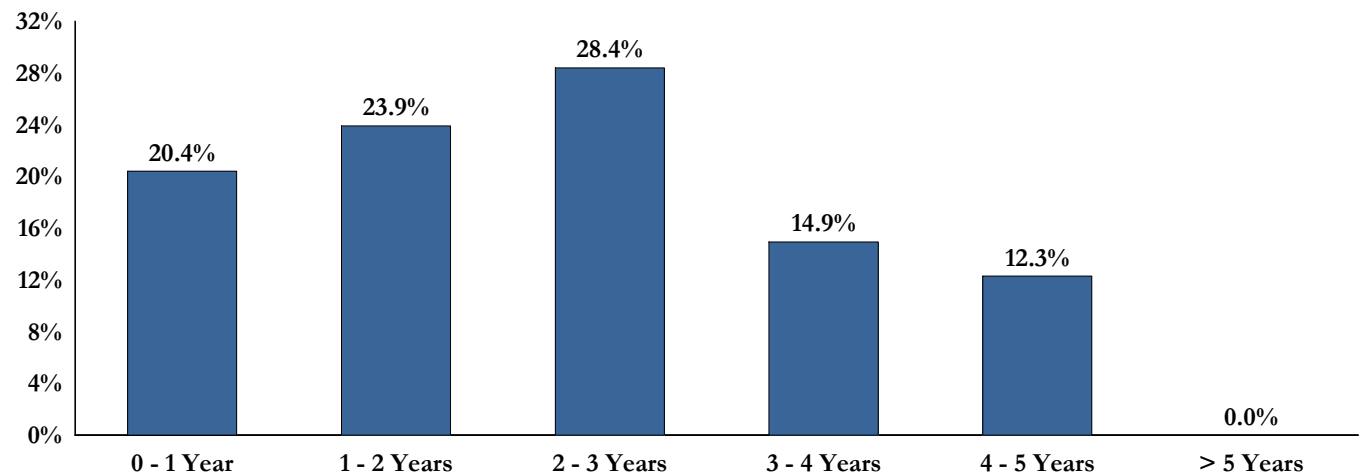
Credit Quality (S&P Ratings)



Sector Allocation



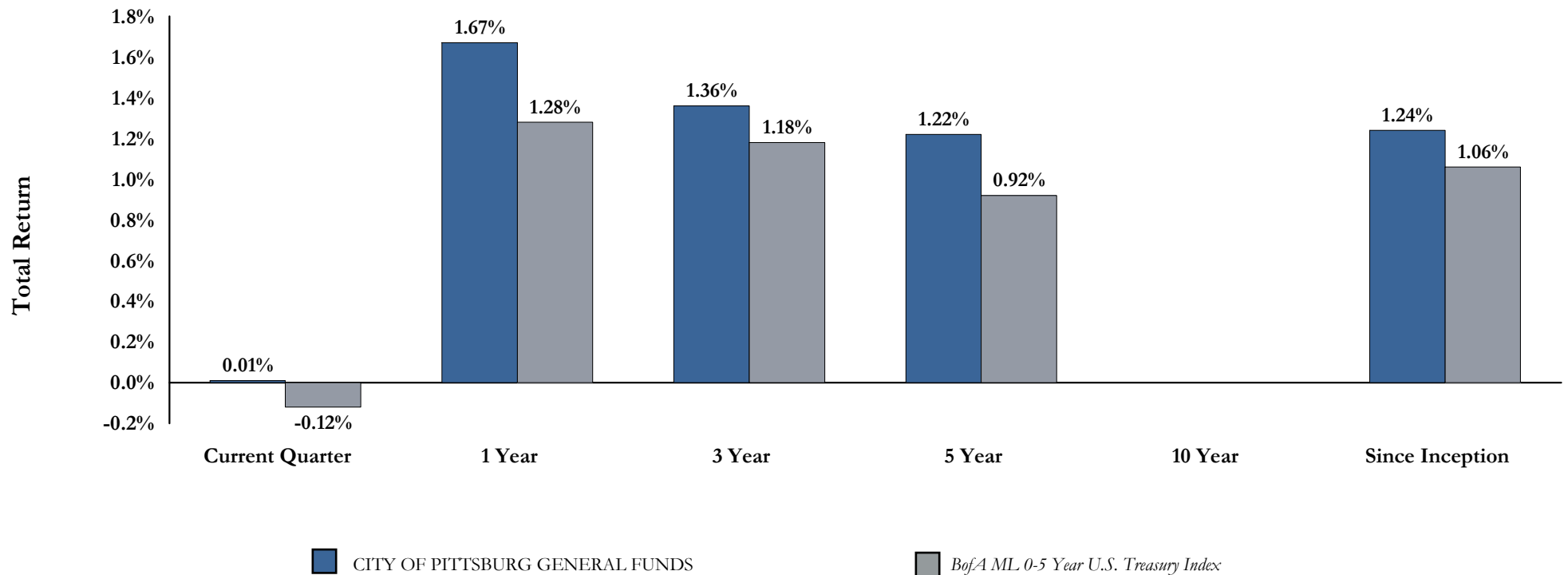
Maturity Distribution



*An average of each security's credit rating assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance (Total Return)

Portfolio/Benchmark	Effective Duration	Current Quarter	1 Year	Annualized Return			Since Inception (09/30/10) *
				3 Year	5 Year	10 Year	
CITY OF PITTSBURG GENERAL FUNDS	2.13	0.01%	1.67%	1.36%	1.22%	-	1.24%
<i>BofA ML 0-5 Year U.S. Treasury Index</i>	2.16	-0.12%	1.28%	1.18%	0.92%	-	1.06%
Difference		0.13%	0.39%	0.18%	0.30%	-	0.18%



Portfolio performance is gross of fees unless otherwise indicated. *Since Inception performance is not shown for periods less than one year.

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
BUY									
7/7/16	7/8/16	975,000	912828Q78	US TREASURY NOTES	1.37%	4/30/21	995,947.26	0.97%	
7/14/16	7/15/16	1,200,000	3130A8QS5	FHLB GLOBAL NOTE	1.12%	7/14/21	1,192,740.30	1.25%	
7/19/16	7/27/16	85,000	47788NAC2	JOHN DEERE ABS 2016-B A3	1.25%	6/15/20	84,993.23	1.25%	
7/29/16	8/2/16	1,430,000	3135G0N33	FNMA BENCHMARK NOTE	0.87%	8/2/19	1,427,597.60	0.93%	
8/8/16	8/15/16	145,000	084664CK5	BERKSHIRE HATHAWAY INC CORPORATE NOTES	1.30%	8/15/19	144,859.35	1.33%	
8/17/16	8/19/16	335,000	3135G0N82	FNMA NOTES	1.25%	8/17/21	333,853.97	1.32%	
8/17/16	8/19/16	1,090,000	3135G0N82	FNMA NOTES	1.25%	8/17/21	1,085,585.50	1.33%	
9/1/16	9/2/16	400,000	3135G0N82	FNMA NOTES	1.25%	8/17/21	397,732.56	1.38%	
9/14/16	9/21/16	245,000	44891EAC3	HYUNDAI AUTO RECEIVABLES TRUST	1.29%	4/15/21	244,967.02	1.30%	
Total BUY		5,905,000					5,908,276.79		
INTEREST									
7/1/16	7/1/16	0	MONEY0002	MONEY MARKET FUND			1.64		
7/8/16	7/8/16	200,000	24422ETE9	JOHN DEERE CAPITAL CORP NOTE	1.95%	1/8/19	1,950.00		
7/15/16	7/15/16	135,000	44930UAD8	HYUNDAI ABS 2016-A A3	1.56%	9/15/20	175.50		
7/18/16	7/18/16	1,560,000	89236TBP9	TOYOTA MOTOR CREDIT CORP NOTES	2.12%	7/18/19	16,575.00		
7/19/16	7/19/16	650,000	459058FE8	INTL BANK OF RECON AND DEV SN NOTES	0.87%	7/19/18	1,423.50		
7/23/16	7/23/16	1,995,000	46625HKA7	JPMORGAN CHASE & CO (CALLABLE)	2.25%	1/23/20	22,443.75		
7/28/16	7/28/16	3,000,000	3137EADJ5	FREDDIE MAC GLOBAL NOTES	1.00%	7/28/17	15,000.00		
7/30/16	7/30/16	2,275,000	3135G0GY3	FANNIE MAE GLOBAL NOTES	1.25%	1/30/17	14,218.75		
7/31/16	7/31/16	520,000	912828VQ0	US TREASURY NOTES	1.37%	7/31/18	3,575.00		
7/31/16	7/31/16	800,000	912828XM7	US TREASURY NOTES	1.62%	7/31/20	6,500.00		
8/1/16	8/2/16	0	MONEY0002	MONEY MARKET FUND			1.82		
8/10/16	8/10/16	780,000	24422ETA7	JOHN DEERE CAPITAL CORP NOTE	1.75%	8/10/18	6,825.00		

CITY OF PITTSBURG GENERAL FUNDS

Portfolio Activity

Trade Date	Settle Date	Par (\$)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt (\$)	Yield at Market	Realized G/L (BV)
8/15/16	8/15/16	135,000	44930UAD8	HYUNDAI ABS 2016-A A3	1.56%	9/15/20	175.50		
8/17/16	8/17/16	1,150,000	40428AR41	HSBC BANK USA NA FLOATING CERT DEPOS	1.39%	11/17/17	3,578.39		
8/19/16	8/19/16	3,000,000	3135G0ZA4	FANNIE MAE BENCHMARK NOTE	1.87%	2/19/19	28,125.00		
8/24/16	8/24/16	1,150,000	86958DH54	SVENSKA HANDELSBANKEN NY FLT' CERT DEPOS	1.27%	8/24/17	3,265.99		
8/26/16	8/26/16	800,000	3135G0J53	FNMA BENCHMARK NOTE	1.00%	2/26/19	4,000.00		
8/31/16	8/31/16	500,000	912828UQ1	US TREASURY NOTES	1.25%	2/29/20	3,125.00		
9/1/16	9/1/16	0	MONEY0002	MONEY MARKET FUND			1.44		
9/6/16	9/6/16	1,400,000	06406HCJ6	BANK OF NEW YORK MELLON (CALLABLE)	1.35%	3/6/18	9,450.00		
9/9/16	9/9/16	695,000	78009NZZ2	ROYAL BANK OF CANADA NY CD	1.70%	3/9/18	5,710.58		
9/15/16	9/15/16	85,000	47788NAC2	JOHN DEERE ABS 2016-B A3	1.25%	6/15/20	141.67		
9/15/16	9/15/16	150,000	084664CG4	BERKSHIRE HATHAWAY INC NOTES	1.70%	3/15/19	1,275.00		
9/15/16	9/15/16	135,000	44930UAD8	HYUNDAI ABS 2016-A A3	1.56%	9/15/20	175.50		
Total INTEREST		21,115,000					147,714.03		
SELL									
7/7/16	7/8/16	1,000,000	06538BLA9	BANK OF TOKYO MITSUBISHI UFJ COMM PAPER	0.00%	11/10/16	997,395.83	0.75%	520.83
7/14/16	7/15/16	1,150,000	912828B90	US TREASURY NOTES	2.00%	2/28/21	1,206,718.75	1.07%	9,489.75
7/29/16	8/2/16	900,000	3137EADJ5	FREDDIE MAC GLOBAL NOTES	1.00%	7/28/17	902,881.00	0.69%	2,838.12
7/29/16	8/2/16	520,000	912828VQ0	US TREASURY NOTES	1.37%	7/31/18	527,188.86	0.68%	7,592.73
8/17/16	8/19/16	975,000	912828Q78	US TREASURY NOTES	1.37%	4/30/21	988,946.08	1.15%	(8,104.87)
8/17/16	8/19/16	115,000	912828Q78	US TREASURY NOTES	1.37%	4/30/21	116,644.92	1.15%	(893.09)
8/17/16	8/19/16	335,000	912828Q78	US TREASURY NOTES	1.37%	4/30/21	339,909.51	1.14%	(2,483.83)
9/1/16	9/2/16	400,000	06538BK44	BANK OF TOKYO MITSUBISHI LTD COMM PAPER	0.00%	10/4/16	399,797.33	0.57%	113.77
9/14/16	9/21/16	245,000	3135G0ZA4	FANNIE MAE BENCHMARK NOTE	1.87%	2/19/19	250,955.13	0.92%	4,334.12
Total SELL		5,640,000					5,730,437.41		13,407.53



Account Holdings



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

CITY OF PITTSBURG GENERAL FUNDS

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 04/30/2012 0.875% 04/30/2017	912828SS0	1,395,000.00	AA+	Aaa	12/11/14	12/12/14	1,397,942.58	0.79	5,108.05	1,395,723.22	1,397,752.34
US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UQ1	500,000.00	AA+	Aaa	11/05/15	11/09/15	493,750.00	1.55	535.22	495,014.83	504,511.50
US TREASURY NOTES DTD 04/30/2015 1.375% 04/30/2020	912828K58	1,000,000.00	AA+	Aaa	02/01/16	02/03/16	1,005,273.44	1.25	5,754.08	1,004,477.86	1,013,008.00
US TREASURY NOTES DTD 05/31/2013 1.375% 05/31/2020	912828VF4	1,165,000.00	AA+	Aaa	12/02/15	12/04/15	1,155,670.90	1.56	5,383.35	1,157,338.63	1,179,607.94
US TREASURY NOTES DTD 07/01/2013 1.875% 06/30/2020	912828VJ6	1,300,000.00	AA+	Aaa	09/01/15	09/03/15	1,322,597.66	1.50	6,159.99	1,317,702.35	1,339,812.50
US TREASURY NOTES DTD 07/31/2015 1.625% 07/31/2020	912828XM7	800,000.00	AA+	Aaa	03/30/16	03/31/16	813,281.25	1.23	2,190.22	811,777.17	817,406.40
US TREASURY NOTES DTD 05/02/2016 1.375% 04/30/2021	912828O78	1,110,000.00	AA+	Aaa	06/27/16	06/29/16	1,130,465.63	0.98	6,387.02	1,129,411.46	1,121,620.59
Security Type Sub-Total		7,270,000.00					7,318,981.46	1.23	31,517.93	7,311,445.52	7,373,719.27
Supra-National Agency Bond / Note											
INTL BANK OF RECON AND DEV SN NOTES DTD 04/19/2016 0.875% 07/19/2018	459058FE8	650,000.00	AAA	Aaa	04/12/16	04/19/16	648,849.50	0.95	1,137.50	649,076.42	650,130.00
INTER-AMERICAN DEVELOPMENT BANK DTD 04/12/2016 1.000% 05/13/2019	458182DX7	650,000.00	AAA	Aaa	04/05/16	04/12/16	648,050.00	1.10	3,051.39	648,343.74	649,936.95
Security Type Sub-Total		1,300,000.00					1,296,899.50	1.03	4,188.89	1,297,420.16	1,300,066.95
Federal Agency Bond / Note											
FANNIE MAE GLOBAL NOTES DTD 01/09/2012 1.250% 01/30/2017	3135G0GY3	2,275,000.00	AA+	Aaa	11/03/14	11/04/14	2,303,437.50	0.69	4,818.58	2,279,224.54	2,280,905.90
FNMA NOTES DTD 03/01/2012 1.125% 04/27/2017	3135G0JA2	730,000.00	AA+	Aaa	08/27/14	08/28/14	733,715.70	0.93	3,513.13	730,806.18	732,273.95



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

CITY OF PITTSBURG GENERAL FUNDS

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FREDDIE MAC GLOBAL NOTES DTD 06/25/2012 1.000% 07/28/2017	3137EADJ5	2,100,000.00	AA+	Aaa	08/01/14	08/04/14	2,099,601.00	1.01	3,675.00	2,099,888.74	2,106,518.40
FANNIE MAE GLOBAL NOTES DTD 04/15/2013 0.875% 05/21/2018	3135G0WJ8	1,360,000.00	AA+	Aaa	08/01/14	08/04/14	1,334,418.40	1.39	4,297.22	1,348,798.78	1,361,207.68
FEDERAL HOME LOAN BANKS AGCY DTD 05/27/2016 0.875% 06/29/2018	3130A8BD4	975,000.00	AA+	Aaa	05/26/16	05/27/16	972,650.25	0.99	2,180.21	973,033.43	978,747.90
FANNIE MAE GLOBAL NOTES DTD 10/01/2013 1.625% 11/27/2018	3135G0YT4	1,775,000.00	AA+	Aaa	11/03/14	11/04/14	1,783,750.75	1.50	9,935.07	1,779,710.03	1,803,673.35
FANNIE MAE BENCHMARK NOTE DTD 01/13/2014 1.875% 02/19/2019	3135G0ZA4	2,755,000.00	AA+	Aaa	08/01/14	08/04/14	2,780,235.80	1.66	6,026.56	2,768,482.06	2,816,552.21
FNMA BENCHMARK NOTE DTD 02/23/2016 1.000% 02/26/2019	3135G0J53	800,000.00	AA+	Aaa	02/19/16	02/23/16	798,112.00	1.08	777.78	798,487.13	801,135.20
FNMA BENCHMARK NOTE DTD 08/02/2016 0.875% 08/02/2019	3135G0N33	1,430,000.00	AA+	Aaa	07/29/16	08/02/16	1,427,597.60	0.93	2,050.66	1,427,727.32	1,424,440.16
FHLB GLOBAL NOTE DTD 07/14/2016 1.125% 07/14/2021	3130A8OS5	1,200,000.00	AA+	Aaa	07/14/16	07/15/16	1,192,702.80	1.25	2,887.50	1,193,002.55	1,191,184.80
FNMA NOTES DTD 08/19/2016 1.250% 08/17/2021	3135G0N82	335,000.00	AA+	Aaa	08/17/16	08/19/16	333,853.97	1.32	488.54	333,879.94	334,092.82
FNMA NOTES DTD 08/19/2016 1.250% 08/17/2021	3135G0N82	400,000.00	AA+	Aaa	09/01/16	09/02/16	397,552.00	1.38	583.33	397,590.63	398,916.80
FNMA NOTES DTD 08/19/2016 1.250% 08/17/2021	3135G0N82	1,090,000.00	AA+	Aaa	08/17/16	08/19/16	1,085,585.50	1.33	1,589.58	1,085,685.51	1,087,048.28
Security Type Sub-Total		17,225,000.00					17,243,213.27	1.20	42,823.16	17,216,316.84	17,316,697.45
Corporate Note											
BANK OF NEW YORK MELLON (CALLABLE) DTD 03/06/2013 1.350% 03/06/2018	06406HCJ6	1,400,000.00	A	A1	12/11/14	12/16/14	1,388,394.00	1.61	1,312.50	1,394,778.13	1,403,862.60
GENERAL ELEC CAP CORP GLOBAL NOTES DTD 04/02/2013 1.625% 04/02/2018	36962G6W9	2,000,000.00	AA-	A1	07/01/15	07/07/15	2,005,800.00	1.52	16,159.72	2,003,223.68	2,020,414.00



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

CITY OF PITTSBURG GENERAL FUNDS

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
JOHN DEERE CAPITAL CORP NOTE DTD 09/11/2015 1.750% 08/10/2018	24422ETA7	780,000.00	A	A2	09/08/15	09/11/15	779,235.60	1.78	1,933.75	779,505.29	787,155.72
IBM CORP GLOBAL NOTES (EX-CALLABLE) DTD 10/15/2008 7.625% 10/15/2018	459200GM7	1,560,000.00	AA-	Aa3	08/01/14	08/06/14	1,919,346.00	1.88	54,849.17	1,738,336.47	1,755,107.64
AMERICAN EXP CREDIT CORP NT (CALLABLE) DTD 11/05/2015 1.875% 11/05/2018	0258M0DZ9	555,000.00	A-	A2	10/29/15	11/05/15	554,950.05	1.88	4,220.31	554,964.84	559,536.02
JOHN DEERE CAPITAL CORP NOTE DTD 01/08/2016 1.950% 01/08/2019	24422ETE9	200,000.00	A	A2	01/05/16	01/08/16	199,988.00	1.95	899.17	199,990.86	203,295.40
BERKSHIRE HATHAWAY INC NOTES DTD 03/15/2016 1.700% 03/15/2019	084664CG4	150,000.00	AA	Aa2	03/08/16	03/15/16	149,886.00	1.73	113.33	149,906.26	151,376.55
APPLE INC GLOBAL NOTES DTD 05/06/2014 2.100% 05/06/2019	037833AQ3	1,560,000.00	AA+	Aa1	08/01/14	08/06/14	1,566,302.40	2.01	13,195.00	1,563,531.03	1,594,106.28
TOYOTA MOTOR CREDIT CORP NOTES DTD 07/18/2014 2.125% 07/18/2019	89236TBP9	1,560,000.00	AA-	Aa3	08/01/14	08/06/14	1,560,577.20	2.12	6,722.08	1,560,338.01	1,588,833.48
BERKSHIRE HATHAWAY INC CORPORATE NOTES DTD 08/15/2016 1.300% 08/15/2019	084664CK5	145,000.00	AA	Aa2	08/08/16	08/15/16	144,859.35	1.33	240.86	144,865.24	145,244.91
JPMORGAN CHASE & CO (CALLABLE) DTD 01/23/2015 2.250% 01/23/2020	46625HKA7	1,995,000.00	A-	A3	10/15/15	10/20/15	1,986,281.85	2.36	8,478.75	1,988,173.75	2,021,210.31
WELLS FARGO & COMPANY NOTES DTD 12/07/2015 2.550% 12/07/2020	94974BGR5	1,440,000.00	A	A2	05/06/16	05/10/16	1,471,910.40	2.04	11,628.00	1,469,300.00	1,468,258.56
Security Type Sub-Total		13,345,000.00					13,727,530.85	1.92	119,752.64	13,546,913.56	13,698,401.47
Commercial Paper											
BNP PARIBAS NY BRANCH COMM PAPER -- 0.000% 01/03/2017	09659BN30	880,000.00	A-1	P-1	04/08/16	04/08/16	873,202.00	1.04	0.00	877,633.29	877,952.24
Security Type Sub-Total		880,000.00					873,202.00	1.04	0.00	877,633.29	877,952.24



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

CITY OF PITTSBURG GENERAL FUNDS

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Certificate of Deposit											
BMO HARRIS BANK NA CD DTD 10/23/2015 1.000% 04/24/2017	05574BFW5	1,150,000.00	A-1	Aa3	10/22/15	10/23/15	1,150,000.00	1.01	10,988.89	1,150,000.00	1,151,969.95
SVENSKA HANDELSBANKEN NY FLT CERT DEPOS DTD 11/24/2015 1.275% 08/24/2017	86958DH54	1,150,000.00	A-1+	P-1	11/20/15	11/24/15	1,150,000.00	0.84	1,507.50	1,150,000.00	1,152,610.50
BANK OF NOVA SCOTIA HOUSTON YCD DTD 11/09/2015 1.560% 11/06/2017	06417GAS7	1,150,000.00	A-1	P-1	11/06/15	11/09/15	1,150,000.00	1.55	7,225.83	1,150,000.00	1,153,835.25
SKANDINAVISKA ENSKILDA BANKEN NY CD DTD 11/17/2015 1.480% 11/16/2017	83050FBG5	1,150,000.00	A-1	P-1	11/16/15	11/17/15	1,150,000.00	1.48	15,081.61	1,150,000.00	1,151,725.00
HSBC BANK USA NA FLOATING CERT DEPOS DTD 11/18/2015 1.394% 11/17/2017	40428AR41	1,150,000.00	A-1+	P-1	11/17/15	11/18/15	1,150,000.00	0.97	2,004.03	1,150,000.00	1,152,599.00
ROYAL BANK OF CANADA NY CD DTD 03/15/2016 1.700% 03/09/2018	78009NZZ2	695,000.00	AA-	Aa3	03/11/16	03/15/16	695,000.00	1.69	722.03	695,000.00	698,283.88
Security Type Sub-Total		6,445,000.00					6,445,000.00	1.22	37,529.89	6,445,000.00	6,461,023.58
Asset-Backed Security / Collateralized Mortgage Obligation											
JOHN DEERE ABS 2016-B A3 DTD 07/27/2016 1.250% 06/15/2020	47788NAC2	85,000.00	NR	Aaa	07/19/16	07/27/16	84,993.23	1.25	47.22	84,994.66	85,130.68
HYUNDAI ABS 2016-A A3 DTD 03/30/2016 1.560% 09/15/2020	44930UAD8	135,000.00	AAA	Aaa	03/22/16	03/30/16	134,973.81	1.57	93.60	134,977.07	135,936.90
HYUNDAI AUTO RECEIVABLES TRUST DTD 09/21/2016 1.290% 04/15/2021	44891EAC3	245,000.00	AAA	Aaa	09/14/16	09/21/16	244,967.02	1.30	87.79	244,967.02	245,318.82
Security Type Sub-Total		465,000.00					464,934.06	1.37	228.61	464,938.75	466,386.40
Managed Account Sub-Total		46,930,000.00					47,369,761.14	1.41	236,041.12	47,159,668.12	47,494,247.36



Managed Account Detail of Securities Held

For the Month Ending **September 30, 2016**

CITY OF PITTSBURG GENERAL FUNDS

Securities Sub-Total	\$46,930,000.00	\$47,369,761.14	1.41%	\$236,041.12	\$47,159,668.12	\$47,494,247.36
Accrued Interest						\$236,041.12
Total Investments						\$47,730,288.48

Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.

- Market values which include accrued interest, are derived from closing bid prices as of the last business day of the month as supplied by a third party vendor. Where prices are not available from generally recognized sources the securities are priced using a yield based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **ACCRUED INTEREST:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **AGENCIES:** Federal agency securities and/or Government-sponsored enterprises.
- **AMORTIZED COST:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.
- **BANKERS' ACCEPTANCE:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the insurer.
- **COMMERCIAL PAPER:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **CONTRIBUTION TO DURATION:** Represents each sector or maturity range's relative contribution to the overall duration of the portfolio measured as a percentage weighting. Since duration is a key measure of interest rate sensitivity, the contribution to duration measures the relative amount or contribution of that sector or maturity range to the total rate sensitivity of the portfolio.
- **DURATION TO WORST:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years, computed from cash flows to the maturity date or to the put date, whichever results in the highest yield to the investor.
- **EFFECTIVE DURATION:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **EFFECTIVE YIELD:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **INTEREST RATE:** Interest per year divided by principal amount, expressed as a percentage.
- **MARKET VALUE:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.
- **NEGOTIABLE CERTIFICATES OF DEPOSIT:** A CD with a very large denomination, usually \$1 million or more that can be traded in secondary markets.
- **PAR VALUE:** The nominal dollar face amount of a security.

Glossary

- **PASS THROUGH SECURITY:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.
- **REPURCHASE AGREEMENTS:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **SETTLE DATE:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction occurs on a non-business day (i.e. coupon payments and maturity proceeds), the funds are exchanged on the next business day.
- **TRADE DATE:** The date on which the transaction occurred however the final consummation of the security transaction and payment has not yet taken place.
- **UNSETTLED TRADE:** A trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.
- **U.S. TREASURY:** The department of the U.S. government that issues Treasury securities.
- **YIELD:** The rate of return based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.
- **YTM AT COST:** The yield to maturity at cost is the expected rate of return, based on the original cost, the annual interest receipts, maturity value and the time period from purchase date to maturity, stated as a percentage, on an annualized basis.
- **YTM AT MARKET:** The yield to maturity at market is the rate of return, based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.



Office of the City Manager
65 Civic Avenue
Pittsburg, California 94565

DATE: November 21, 2016
TO: Mayor and Council Members
FROM: Joe Sbranti, City Manager
SUBJECT: Receive and File the Treasurer's Report for the Quarter Ending September 30, 2016

EXECUTIVE SUMMARY

Attached is the Treasurer's Report for the fiscal quarter ending September 30, 2016, which includes detailed information on the City and Successor Agency's (Agency) investments.

FISCAL IMPACT

The City's expenditure requirements for the next six months are covered by anticipated revenues from City operations and liquidity from maturing investments. The difference between market value and cost as of September 30, 2016 will be reflected in the City's financial statements for Fiscal Year 2016-17 as an adjustment to interest income for each of the City's funds on a pro rata basis as required by Governmental Accounting Standards Board Statement Number 31.

RECOMMENDATION:

City Council accepts the Treasurer's Report for the quarter ending September 30, 2016 for information purposes only.

BACKGROUND

Each fiscal quarter, an Investment Summary Report is required to be provided, by policy, to the City Council for review.

SUBCOMMITTEE FINDINGS

N/A

STAFF ANALYSIS

The City and the Agency's investment portfolio decreased by \$36.1 million during the first quarter of Fiscal Year 2016-17, from \$157.2 million on June 30, 2016 to \$121.1 million on September 30, 2016 (Tables I). The primary decreases are due to 1) use \$26.3 million for Successor Agency debt services payment 2) use 7.9 million for City's pension and other debt obligation and 3) use \$2.8 million to cover normal operating expenses. The decrease was offset by receipt of reimbursement of \$908K from I- bank.

Of the total cash and investments reported above, only the portions held in the City's General Fund, \$24.7 million (20.4%) and Internal Service Funds, \$3 million (2.5%) are unrestricted, although a portion of these amounts may be committed for existing obligations or designated for specific purposes. The remaining \$93.4 million (77.1%) of the City's cash and investments are restricted for specific uses, in accordance with federal, State or local agency rules and regulations.

The investment report includes all cash and investments as summarized in the attached tables as of September 30, 2016. Investment income for the quarter was \$45,668. The decrease in investment income was due to quarterly market value adjustment of negative \$201,680. The portfolio's total return for the quarter was 0.01 %, which outperformed the -0.12% return set by Bank of America Merrill Lynch 0-5 Year U.S. Treasury Index (City's performance benchmark). The portfolio's average yield (excluding Bonded Debt Portfolio) for the quarter was 1.02%.

The City and Successor Agency's investments are managed by the City's registered investment advisor, PFM Asset Management (PFM). PFM is responsible for managing investments in accordance with the City's investment policy. All of the portfolio holdings were held with investment grade securities. A review of this quarter's investment performance prepared by PFM is attached.

As of September 30, 2016, investments in the State's Local Agency Investment Fund (LAIF) were \$12,881,813. Earning from LAIF was 0.60 % and LAIF investments portfolio composed of 60% U.S. Treasuries and Agency notes, 28% in Time Deposits and Bank Notes and 12% in other types of investments. A detailed investment performance of LAIF investments is listed on Table III of The Treasury Report.

Governmental Accounting Standards Board Statement 40 requires the City to recognize the fair market value of its investments at the end of each fiscal year. The market values of investments included in this report were obtained from the State Controller's office for LAIF and from the City's registered investment

Mayor and Council Members

November 21, 2016

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advisors and bond trustees for longer-term investments. These market valuations are subject to daily changes in market value. The change in market value is considered temporary in nature, as it is the City's general intention to hold its investments until maturity, when they would be redeemed at market value.

Report Prepared By: Karen Chang, Finance Manager

Report Reviewed By: Brad Farmer, Director of Finance

Attachments:

Letter from City Treasurer

Table I – Cash & Investment Portfolio

Table II – Investment by Type

Table III – LAIF Summary

Review of Investment Performance Report by PFM Asset Management