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

February 3, 2017

Honorable Mayor and City Council:

I have reviewed the City of Pittsburg's Treasury Report for the quarter ending December 31, 2016, and find that it complies with the Investment Policy established by my office.

Sincerely,

Nancy L Parent

Nancy Parent
City Treasurer

CITY OF PITTSBURG **Table I**

Cash & Investment Portfolio
FY 2016/17- 2nd Quarter

DESCRIPTION	BALANCE 09/30/16	BALANCE 12/31/16	FAIR MKT VALUE (12/2016 Factor)
CASH & INVESTMENTS:			
LAIF City Operating	$ 12,881,813	$ 23,963,813	$ 23,950,006
Operating Cash & Investment Accounts	62,284,667	56,852,507	56,515,700
TOTAL CITY INVESTMENTS:	**$ 75,166,480**	**$ 80,816,320**	**$ 80,465,706**
FISCAL AGENT INVESTMENTS:			
Miscelaneous Debt Service Operating Accounts	$ 676,890	$ 86,068	$ 86,068
Pension Obligation Bond-Reserve Funds	3,542,051	3,542,140	3,542,140
Assessment District Bonds-Reserve Funds	2,751,494	2,751,739	2,757,937
Revenue Bonds-Reserve Funds	2,278,956	73,869	-
Tax Allocation Bonds Restricted Reserves Funds	36,078,187	37,296,932	36,302,362
Tax Allocation Bonds General Reserves Funds	637,502	-	-
Project Funds (Assmnt, Revenue, TAB)	181	-	73,869
TOTAL FISCAL AGENT INVESTMENTS:	**$ 45,965,262**	**$ 43,750,748**	**$ 42,762,375**
TOTAL CASH & INVESTMENTS :	**$ 121,131,742**	**$ 124,567,068**	**$ 123,228,081**

City of Pittsburg **Table II**

Investment by Type as of December 31, 2016

Description	Amount		Avg Yield	Average Duration or Maturity Date
Cash - Operational	$ 9,045,515	7.26%	N/A	N/A
LAIF	23,963,813	19.24%	0.68%	171 days
Corporate Notes	13,727,531	11.02%	1.92%	811 days
US Treasuries	9,792,009	7.86%	1.42%	1372 days
Federal Bond Notes	14,081,034	11.30%	1.28%	750 days
Supra-National Agency Bond/Note	1,296,900	1.04%	1.03%	714 days
Certificate of Deposit	8,324,267	6.68%	1.35%	374 days
Asset-Backed Securities	464,934	0.37%	1.37%	1449days
Bank of the West-L.O.C.	102,344	0.08%	0.00%	N/A
Wells Fargo Mket	16,804,737	13.49%	0.29%	N/A
U.S. Bank Money Market	73,869	0.06%	0.10%	N/A
CAMP	135,440	0.11%	0.72%	N/A
Fannie Mae	858,772	0.69%	1.25%	N/A
Dreyfus Treasury Securities	24,316,358	19.52%	0.27%	N/A
FNMA	1,579,548	1.27%	1.25%	N/A
GRAND TOTAL:	**$ 124,567,068**	**100.00%**		

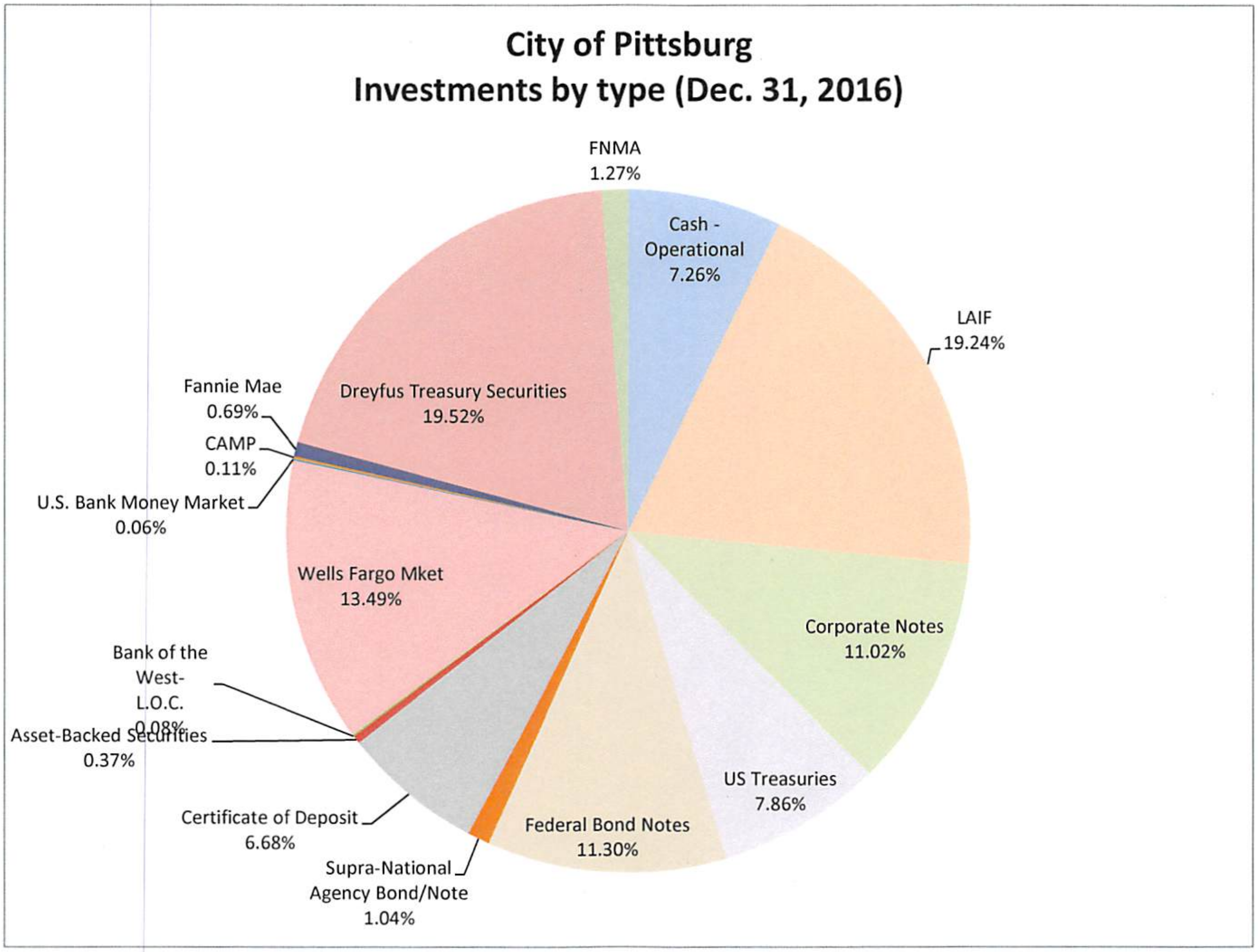


Table III

JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
12/19/16	0.72	0.68	179
12/20/16	0.72	0.68	180
12/21/16	0.72	0.68	179
12/22/16	0.73	0.68	179
12/23/16	0.73	0.68	185
12/24/16	0.73	0.68	185
12/25/16	0.73	0.68	185
12/26/16	0.73	0.68	185
12/27/16	0.73	0.68	180
12/28/16	0.73	0.68	173
12/29/16	0.73	0.68	176
12/30/16	0.74	0.68	172
12/31/16	0.74	0.68	171
01/01/17	0.74	0.74	171
01/02/17	0.74	0.74	171
01/03/17	0.74	0.74	181
01/04/17	0.74	0.74	184
01/05/17	0.75	0.74	186
01/06/17	0.75	0.74	186
01/07/17	0.75	0.74	186
01/08/17	0.75	0.74	186
01/09/17	0.75	0.74	185
01/10/17	0.75	0.74	185
01/11/17	0.75	0.74	187
01/12/17	0.75	0.74	186
01/13/17	0.75	0.75	186
01/14/17	0.75	0.75	186
01/15/17	0.75	0.75	186
01/16/17	0.75	0.75	186
01/17/17	0.75	0.75	182
01/18/17	0.75	0.75	181

*Daily yield does not reflect capital gains or losses

View Prior Month Daily Rates

LAIF Performance Report

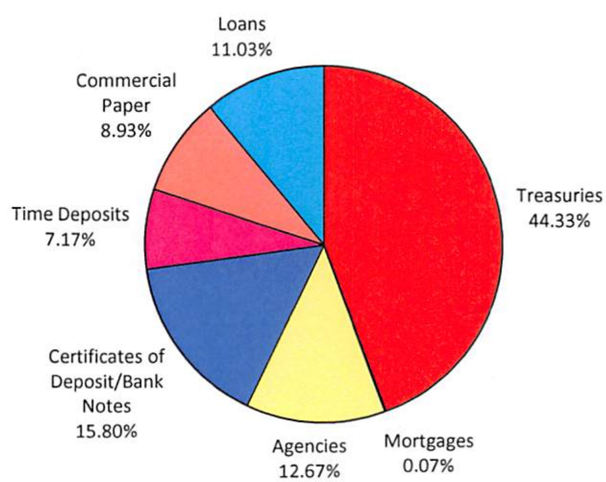
Quarter Ending 12/31/16

Apportionment Rate:	0.68%
Earnings Ratio:	0.00001851848158529
Fair Value Factor:	0.999423823
Daily:	0.74%
Quarter to Date:	0.68%
Average Life:	171

PMIA Average Monthly Effective Yields

Dec 2016	0.719%
Nov 2016	0.678%
Oct 2016	0.654%

Pooled Money Investment Account Portfolio Composition 12/31/16 $73.7 billion



Based on data available as of 1/18/2017

PFM®

PFM Asset Management LLC

CITY OF PITTSBURG

Investment Performance Review

For the Quarter Ended December 31, 2016

Client Management Team

Monique Spyke, Managing Director

Izac Chyou, Senior Managing Consultant

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

U.S. Economic & Market Highlights

Over the Last 12 Months

Economy Grew
$534 billion

Jobs Created
2.3 million

New Vehicles Sold
17.4 million

New Homes Sold
561 thousand

Economic Highlights

Consumer Confidence
Highest since 2001

Jobless Claims
Lowest since 1974

Consumer Prices
Highest since 2014

Housing Prices
Record high

Market Highlights

Equities
Record high

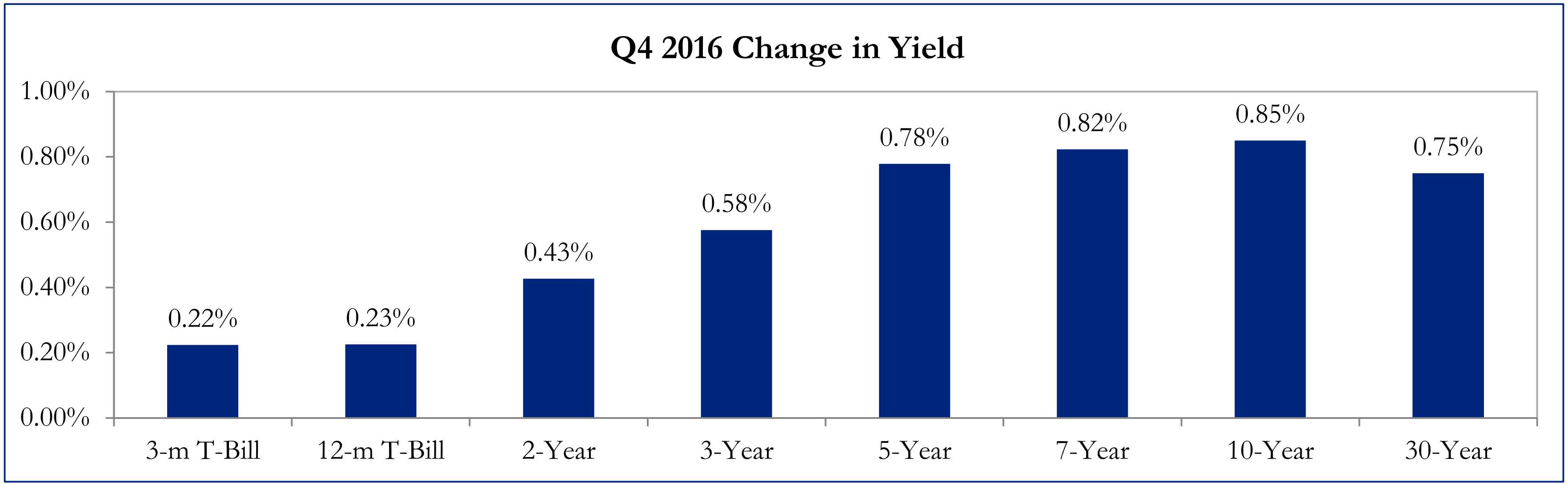
2-Yr Treasury Yield
Highest since 2011

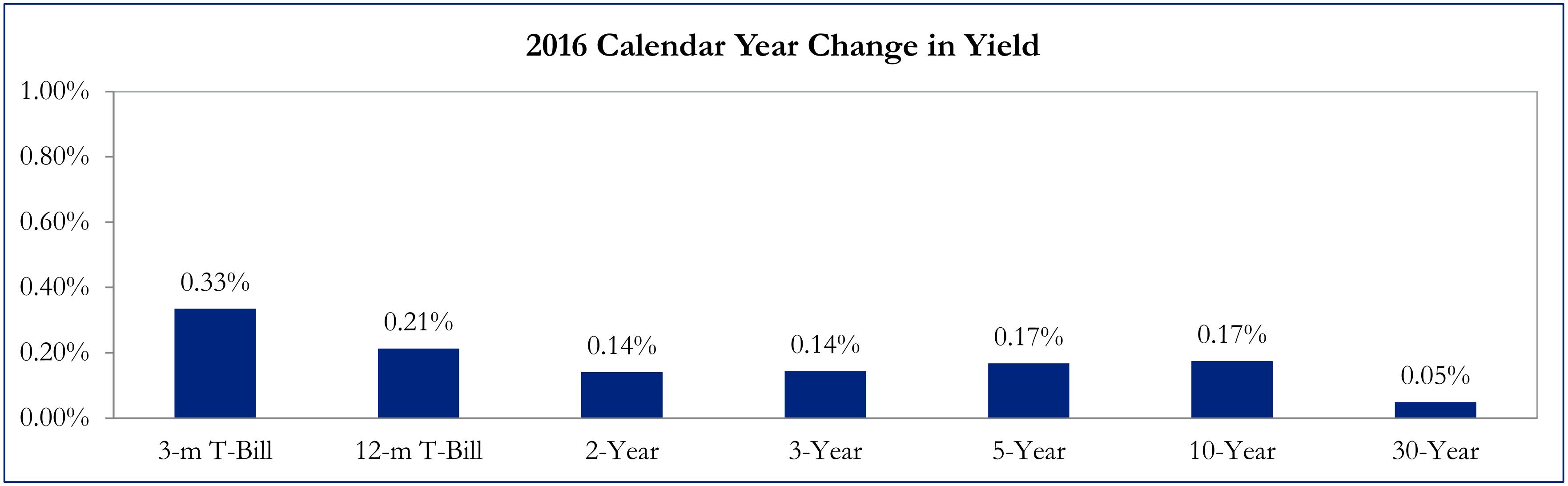
US Dollar
Highest since 2003

Oil
Highest since 2015

Source: Bloomberg

U.S. Treasury Yields Rose Sharply in the Fourth Quarter

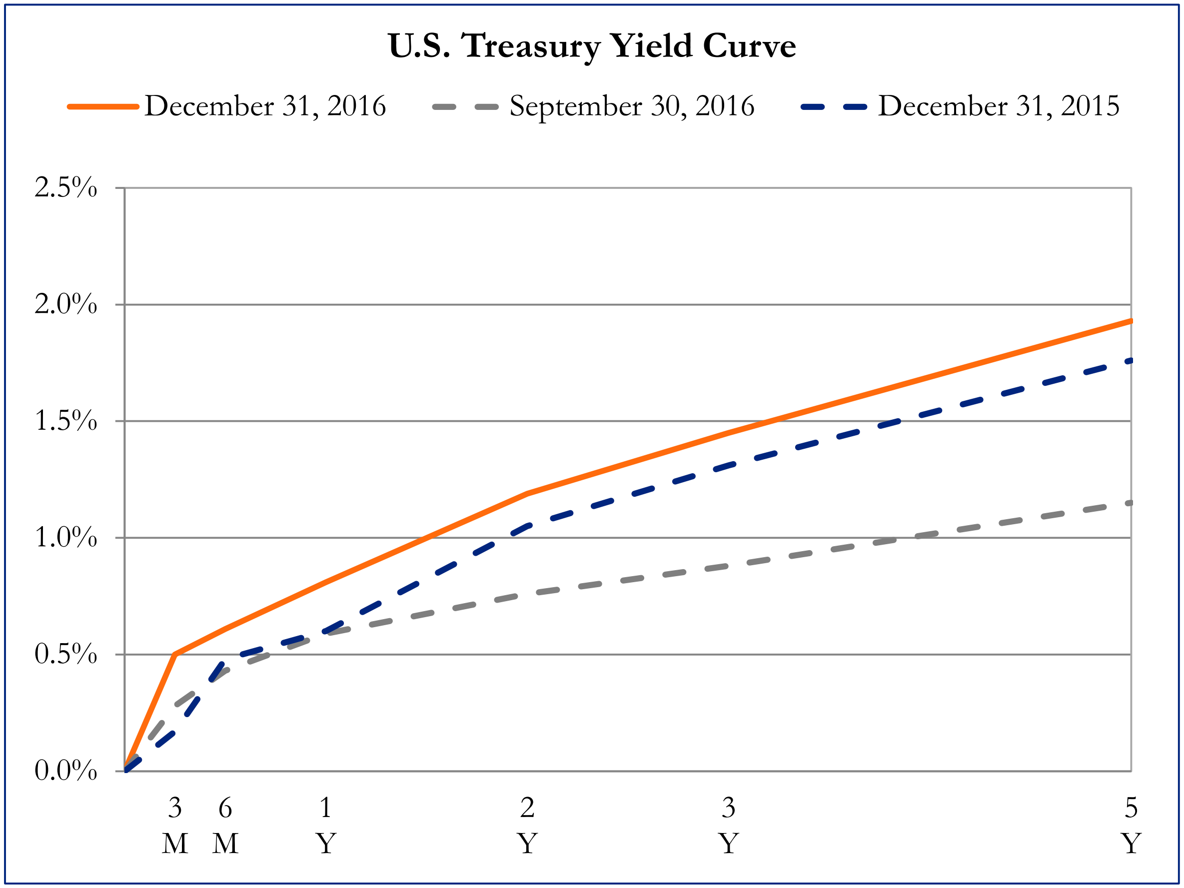




Source: Bloomberg

Yields Increase Across the Board

- Treasury rates have surged following the U.S. elections, with the longer end rising substantially over higher inflation expectations from the President-elect's proposed fiscal policies.
- As a result, the yield curve has steepened significantly, even when compared to a year ago.



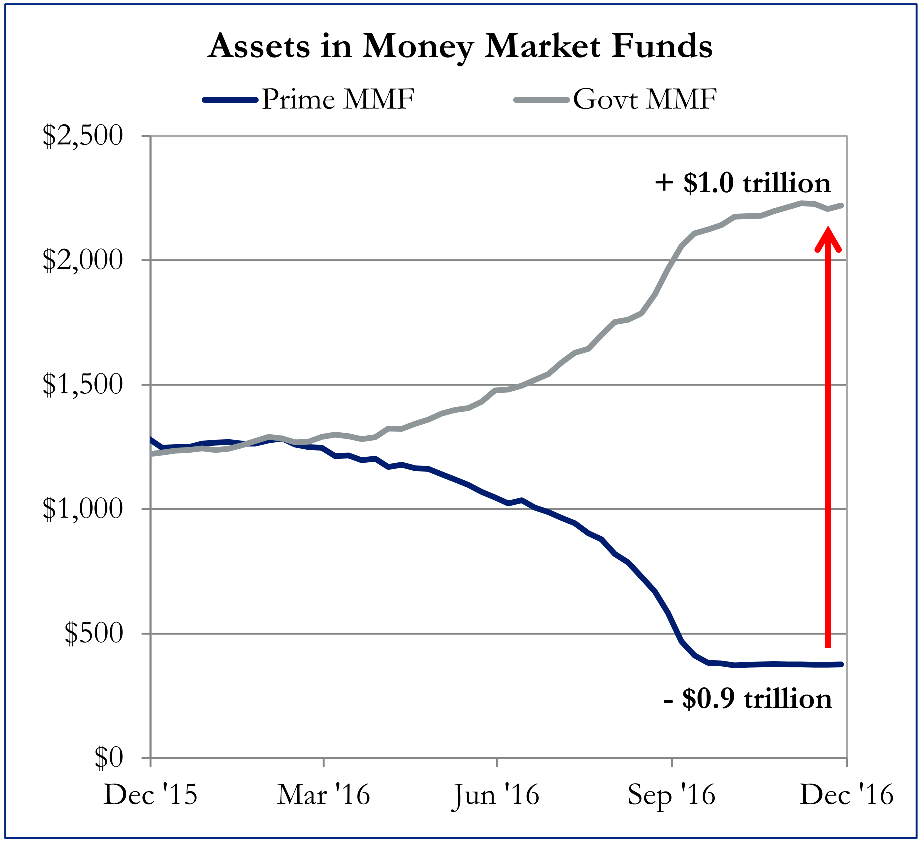
Source: Bloomberg

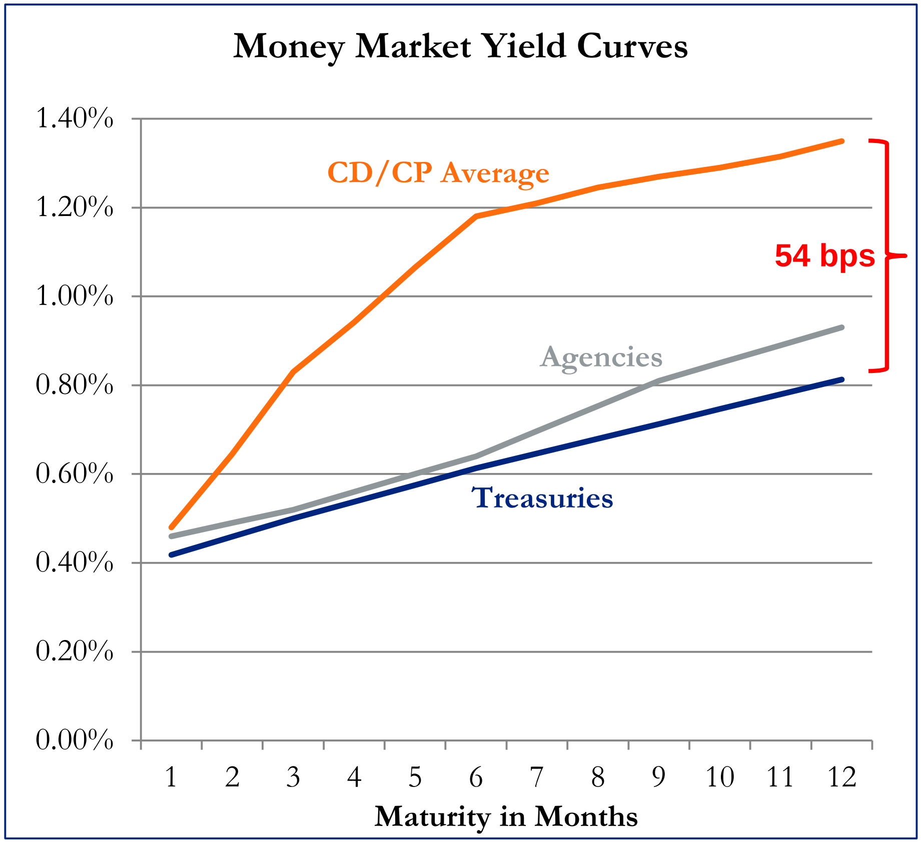
Yield Curve History

	12/31/15	09/30/16	12/31/16
1-Mo.	**0.13%**	**0.19%**	**0.42%**
3-Mo.	**0.17%**	**0.28%**	**0.50%**
6-Mo.	**0.48%**	**0.43%**	**0.61%**
1-Yr.	**0.60%**	**0.59%**	**0.81%**
2-Yr.	**1.05%**	**0.76%**	**1.19%**
3-Yr.	**1.31%**	**0.88%**	**1.45%**
5-Yr.	**1.76%**	**1.15%**	**1.93%**

Money Market Reform Takes Hold

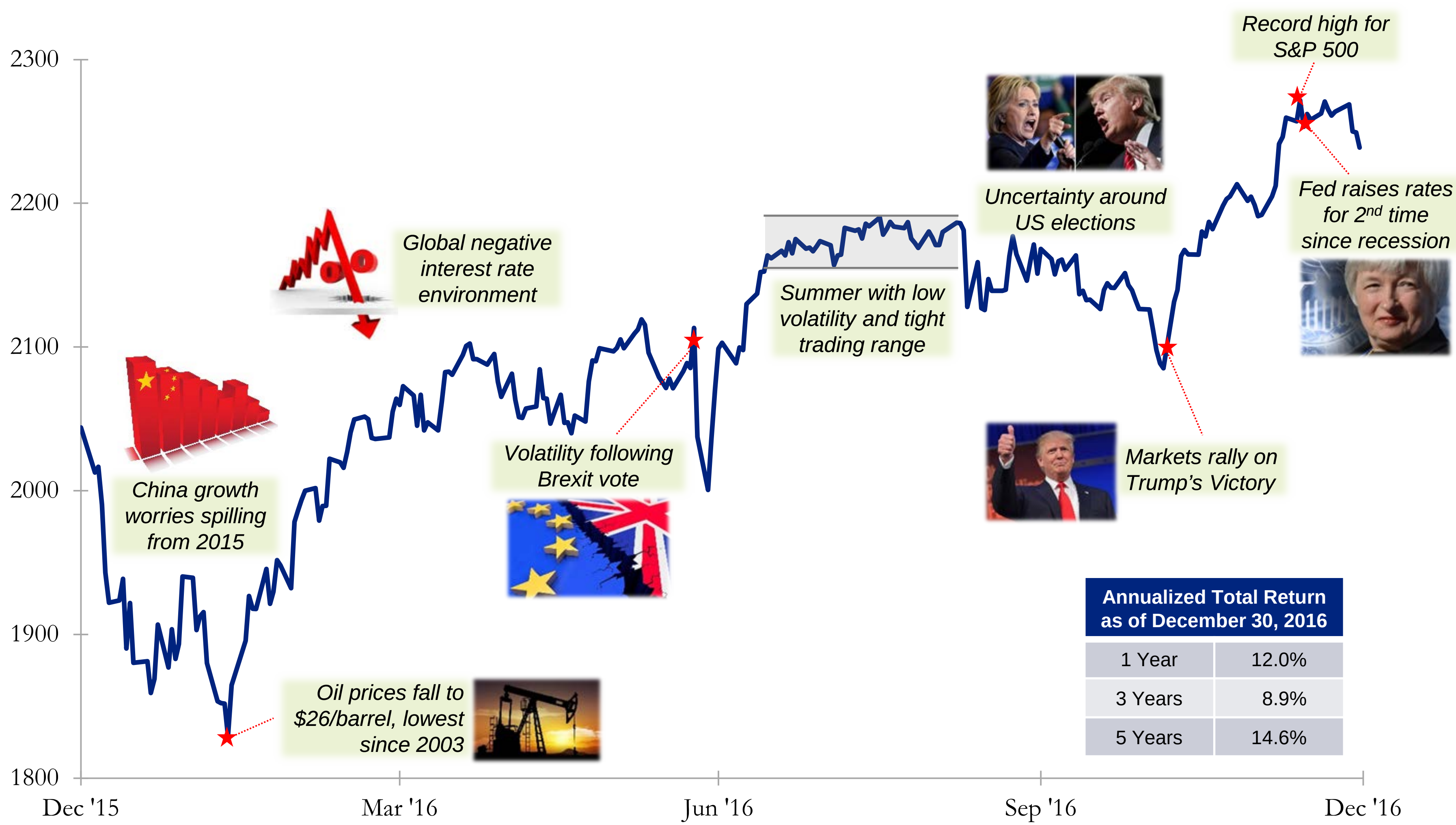
- SEC-imposed money market reforms, which became effective in October 2016, caused a significant shift in assets from prime funds (which typically purchase short credit instruments) to government-only funds.
- As a result, yield spreads widened sharply, especially in the 6-12 month area of the curve, making commercial paper and negotiable bank CDs attractive alternatives to Treasury bills and short-term agencies.





Source: Bloomberg and PFMAM Trading Desk. As of 12/31/16.

S&P 500 Closes 2016 on a Strong Note



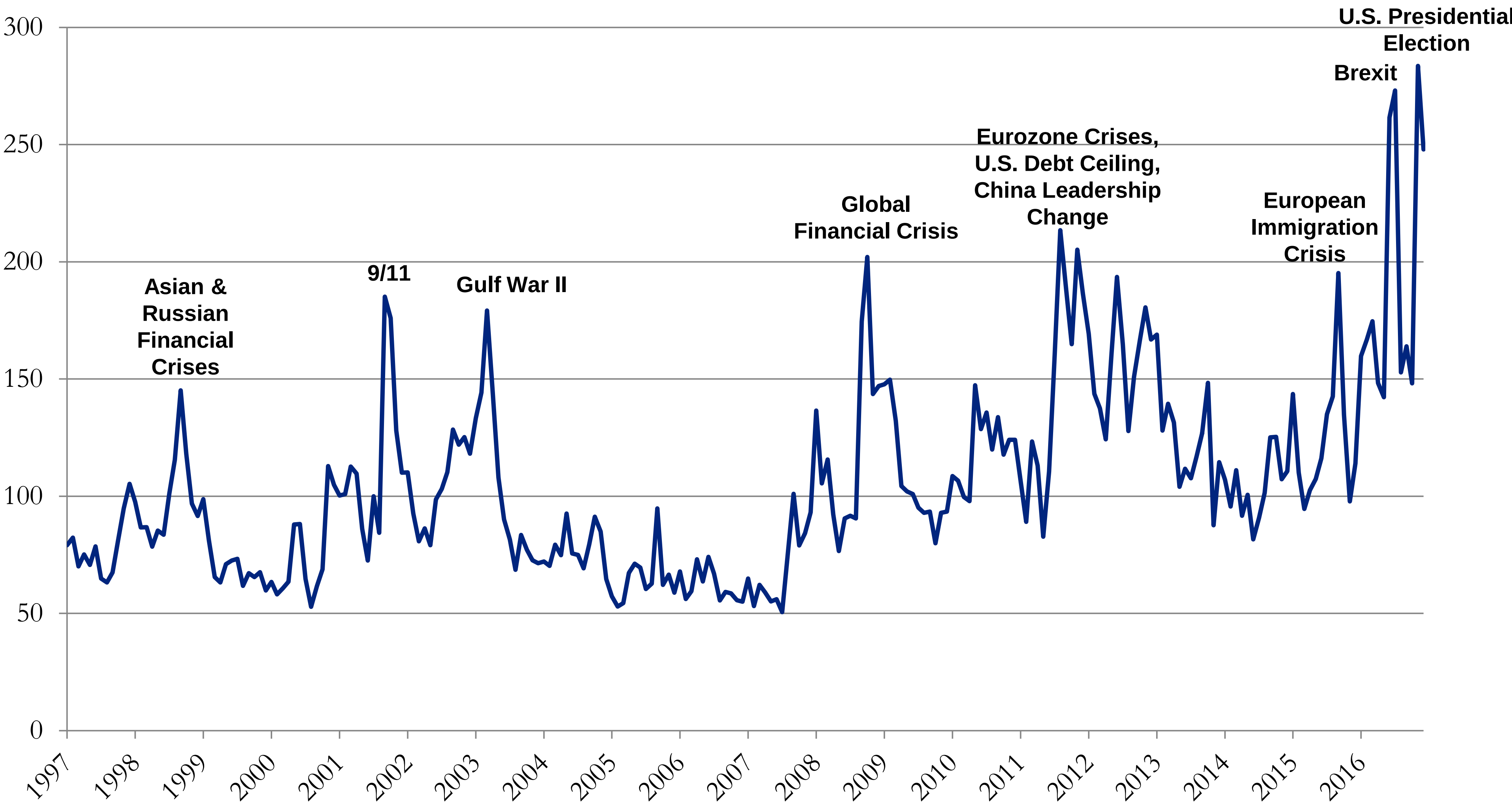
Annualized Total Return as of December 30, 2016	
1 Year	12.0%
3 Years	8.9%
5 Years	14.6%

Source: Bloomberg

Potential Impact of the Trump Administration

Policy	Proposed Platform	Potential Impact
Fiscal	▪ Massive infrastructure spending ▪ Increased military spending ▪ Entitlement changes (but not Social Security)	▪ Boost economic growth over mid-term ▪ Increase borrowing and Federal deficit ▪ Higher inflation
Monetary	▪ Fill two vacancies on Federal Reserve Board ▪ Increase Congressional oversight of Fed ▪ Replace Chair (Yellen) and Vice Chair (Fischer) when terms expire in February 2018	▪ Tighter monetary policy ▪ Less regulation of banks ▪ Higher bond yields
Regulatory	▪ Reduce corporate and personal income taxes ▪ Simplify tax code ▪ Repeal Dodd-Frank ▪ Repeal Affordable Care Act ▪ Withdraw from Paris Climate Accord ▪ Promote fossil fuel-based energy production	▪ Increase corporate earnings ▪ Change the risk profile of the financial services industry ▪ Disrupt the healthcare industry ▪ Lower energy prices
Immigration	▪ Restrict immigration ▪ Deport undocumented immigrants ▪ "Force Mexico to pay"	▪ Labor shortages in some industries ▪ Exacerbate trade tensions with Mexico ▪ Push up U.S. consumer prices
Trade	▪ Challenge China's economic policy ▪ Renegotiate NAFTA, abandon TPP ▪ Impose taxes or tariffs to pressure nations to negotiate bilateral agreements	▪ Stronger U.S. dollar ▪ Higher inflation ▪ Possible trade wars

Global Economic Policy Uncertainty Index



Source: PolicyUncertainty.com. The Global Economic Policy Uncertainty index is a GDP-weighted average of national EPU indices for 16 countries. EPU index reflects the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy (E), policy (P) and uncertainty (U).

FOMC Increase Target Rate

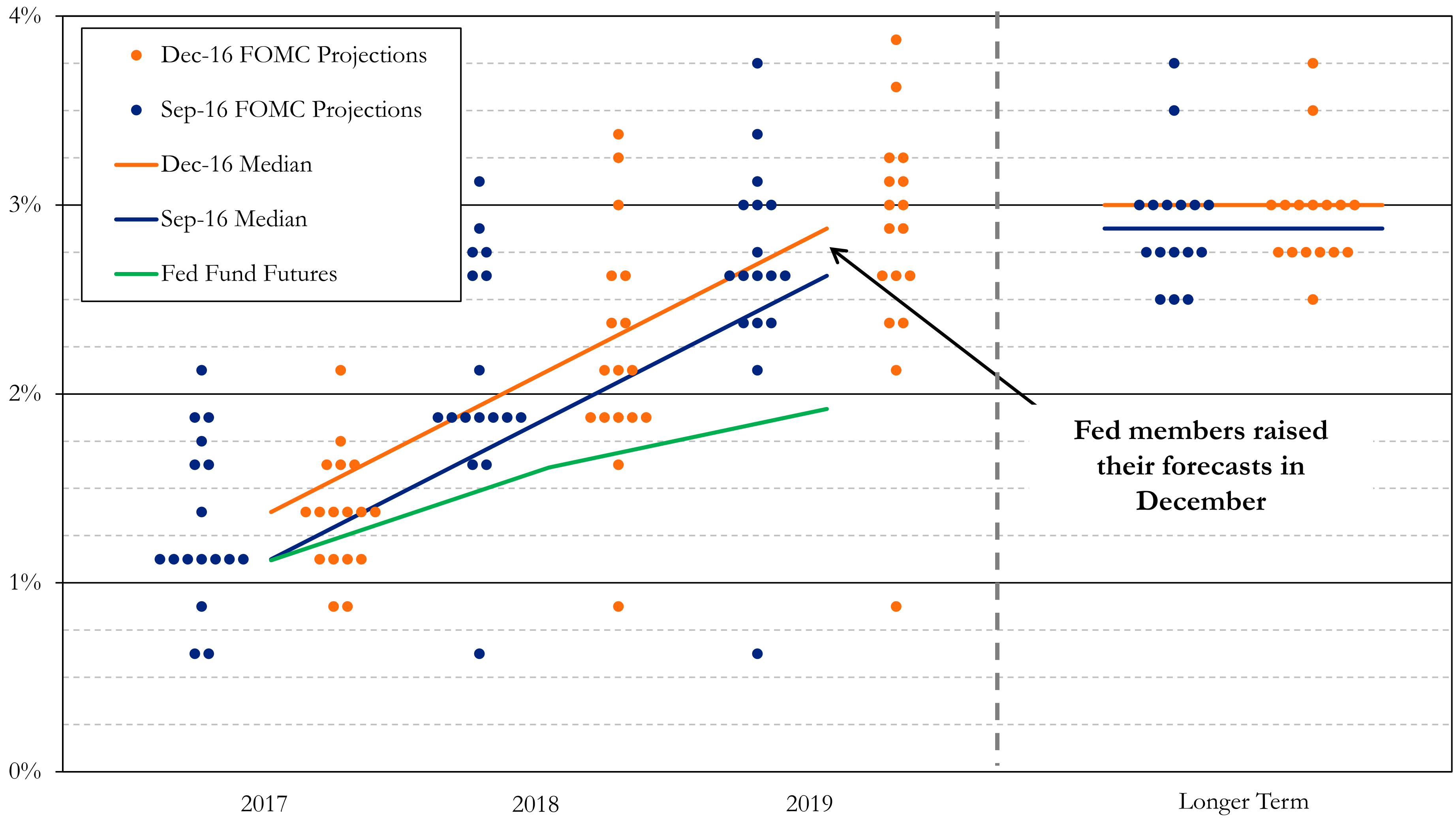
December

14

- Information received since the FOMC met in November indicates that the **labor market has continued to strengthen** and that **economic activity has been expanding at a moderate pace** since mid-year.
- **Job gains have been solid** in recent months and the **unemployment rate has declined.**
- **Inflation has increased somewhat since earlier this year** but is still below the Committee's 2 percent longer-run objective, partly reflecting earlier declines in energy prices and in prices of non-energy imports.
- In view of realized and expected labor market conditions and inflation, **the Committee decided to raise the target range for the federal funds rate to 0.50 – 0.75%.**
- The stance of monetary policy **remains accommodative**, thereby supporting further strengthening in labor market conditions and a return to 2 percent inflation.
- **All 10 voting members of the FOMC supported the monetary policy action.**

Source: Federal Reserve

FOMC "Dot Plot"



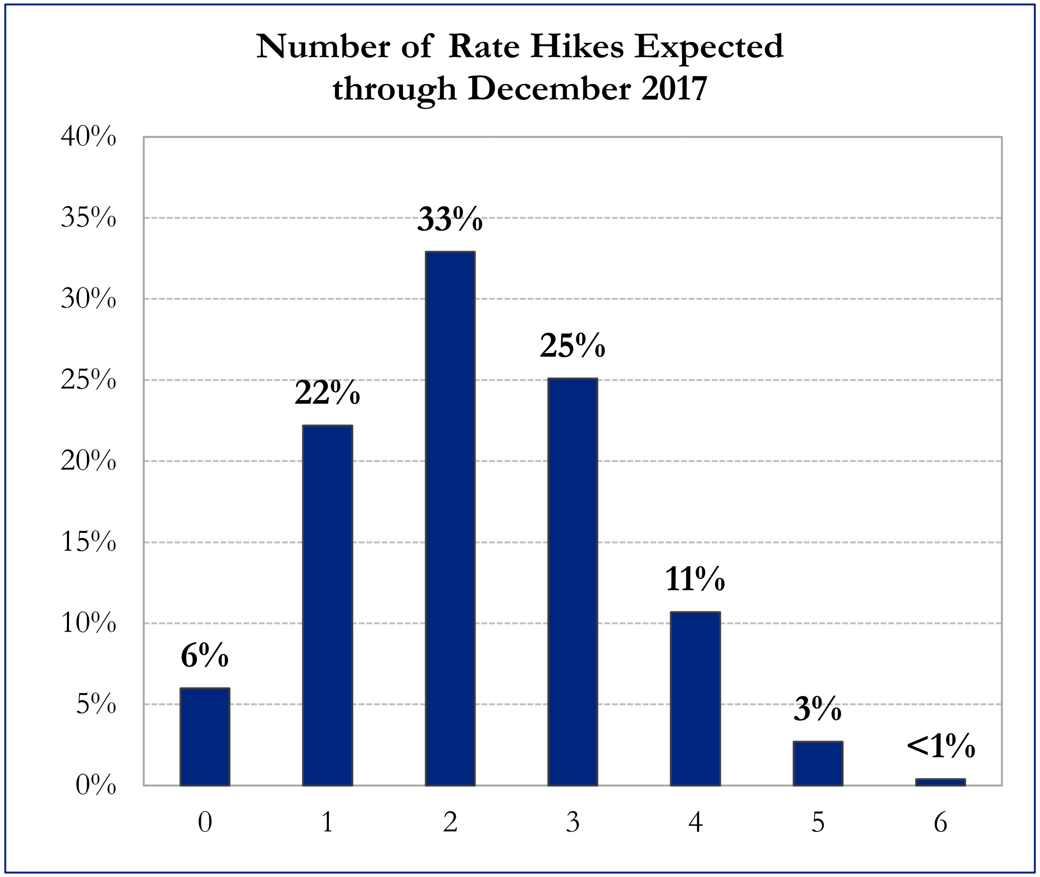
Source: Federal Reserve and Bloomberg; Fed Funds Futures as of 12/30/16. Individual dots represent each of the 17 FOMC members' judgment of the midpoint of the appropriate target range for the federal funds rate.

Probability of a Fed Rate Hike

- Market-implied probabilities indicate that there is a 12.4% chance of the Fed raising rates at their February 1st meeting. Additionally, the market has also priced in a roughly 33% chance of two further rate hikes in 2017.

Probability of At Least One Rate Hike

Meeting	12/30/16
2/1/17	12.4%
3/15/17	31.3%
5/3/17	42.0%
6/14/17	70.8%
7/27/17	74.5%
9/20/17	85.2%
11/1/17	87.7%
12/13/17	94.0%



Source: Bloomberg WIRP

Portfolio Review

- Yields surged in the post-election period as expectations for U.S. economic growth and inflationary expectations rose and in anticipation of a December rate hike.
- Federal agency yield spreads continued to tighten over the quarter, erasing much of the value seen off and on during the year. Our few Agency purchases were generally new issues that came to market with yield concessions that offered more reasonable value.
- We maintained allocations to the corporate sector as valuations remained fair-to-modestly-expensive amid tight yield spread levels.
- Significant money market reforms took effect in the fourth quarter. The result was increased demand for short-term government securities and reduced demand for short-term credit instruments, like commercial paper and bank certificates of deposit.
    - This created excellent investment opportunities in short-term credit instruments which we used to fill short-term investment needs and were attractive alternatives to longer Treasuries and agencies.
- We managed the portfolio's duration and maturity distribution to be comparable to the benchmark to reduce potential performance mismatches.

Security Type	Original Cost	Market Value	% of Portfolio	In Compliance	Average Maturity	Average Yield
Cash Equivalents	$9,045,515	$9,045,515	11%	✓	1	0.00%
Money Market Funds	$17,974	$17,974	0%	✓	1	0.06%
Investment Pools	$23,963,813	$23,950,006	30%	✓	1	0.68%
Total Liquidity	**$33,027,302**	**$33,013,495**	**41%**		**1**	**0.49%**
Certificates of Deposit	$102,344	$102,344	0%	✓	1	0.00%
U.S. Treasury Notes[1]	$9,792,009	$9,684,231	12%	✓	1,372	1.42%
Federal Agency Securities	$14,081,034	$14,042,589	17%	✓	750	1.28%
Municipal Bonds	$0	$0	0%	✓	-	0.00%
Commercial Paper	$0	$0	0%	✓	-	0.00%
Negotiable Certificates of Deposit	$8,324,267	$8,343,405	10%	✓	374	1.35%
Medium-Term Corporate Notes	$13,727,531	$13,530,206	17%	✓	811	1.92%
Asset-Backed Securities	$464,934	$462,587	1%	✓	1,449	1.37%
Supranational Securities	$1,296,900	$1,286,850	2%	✓	714	1.03%
Total Securities	**$47,789,018**	**$47,452,211**	**59%**		**834**	**1.49%**
Total Portfolio	**$80,816,320**	**$80,465,706**	**100%**		**493**	**1.08%**
Bonded Debt Portfolio	**$43,750,748**	**$43,776,823**				**0.33%**
Total	**$124,567,068**	**$124,242,529**				**0.82%**

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

1. Original cost has a $200 dollar discrepancy due to different disposal values applied by Wells Fargo and PFMAM.

Issuer	Original Cost	Market Value	% of Portfolio	% Permitted by Policy	In Compliance	Average Maturity	Average Yield
Cash Equivalents	**9,045,515**	**9,045,515**	**11%**			**1**	**0.00%**
Bank	9,045,515	9,045,515	11%	100%	✓	1	0.00%
Money Market Funds	**17,974**	**17,974**	**0%**			**1**	**0.06%**
Wells Fargo	17,974	17,974	0%	10%	✓	1	0.06%
Investment Pools	**23,963,813**	**23,950,006**	**30%**			**1**	**0.68%**
Local Agency Investment Fund	23,963,813	23,950,006	30%	$65 million	✓	1	0.68%
Certificates of Deposit	**102,344**	**102,344**	**0%**			**1**	**0.00%**
Bank of the West	102,344	102,344	0%	5%	✓	1	
U.S. Treasury Notes[1]	**9,792,009**	**9,684,231**	**12%**			**1372**	**1.42%**
U.S. Treasury	9,792,009	9,684,231	12%	100%	✓	1372	1.42%
Federal Agency Securities	**14,081,034**	**14,042,589**	**17%**			**750**	**1.28%**
FHLB	1,507,629	1,506,423	2%	100%	✓	616	1.08%
FHLMC	2,099,601	2,103,263	3%	100%	✓	209	1.01%
FNMA	10,473,804	10,432,902	13%	100%	✓	878	1.36%
Negotiable Certificates of Deposit	**8,324,267**	**8,343,405**	**10%**			**374**	**1.35%**
Bank of Nova Scotia (Houston)	1,150,000	1,151,012	1%	5%	✓	310	1.55%
BMO Harris Bank NA	1,150,000	1,150,737	1%	5%	✓	114	1.01%
Canadian Imperial Bank	939,267	947,586	1%	5%	✓	699	1.78%
HSBC USA	1,150,000	1,152,001	1%	5%	✓	321	0.97%
Nordea Bank	940,000	947,586	1%	5%	✓	699	1.74%
Royal Bank of Canada (New York)	695,000	695,789	1%	5%	✓	433	1.69%
Skandinaviska Enskilda NY	1,150,000	1,148,051	1%	5%	✓	320	1.48%
Svenska Handelsbank	1,150,000	1,150,644	1%	5%	✓	236	0.84%

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

1. Original cost has a $200 dollar discrepancy due to different disposal values applied by Wells Fargo and PFMAM.

Issuer	Original Cost	Market Value	% of Portfolio	% Permitted by Policy	In Compliance	Average Maturity	Average Yield
Medium-Term Corporate Notes	**13,727,531**	**13,530,206**	**17%**			**811**	**1.92%**
American Express Company	554,950	555,806	1%	5%	✓	674	1.88%
Apple Inc.	1,566,302	1,574,800	2%	5%	✓	856	2.01%
Bank of New York	1,388,394	1,396,623	2%	5%	✓	430	1.61%
Berkshire Hathaway	294,745	293,106	0%	5%	✓	879	1.53%
General Electric	2,005,800	2,006,542	2%	5%	✓	457	1.52%
IBM	1,919,346	1,722,306	2%	5%	✓	653	1.88%
John Deere	979,224	982,305	1%	5%	✓	618	1.82%
JP Morgan Chase	1,986,282	1,990,304	2%	5%	✓	1118	2.36%
Toyota	1,560,577	1,566,769	2%	5%	✓	929	2.12%
Wells Fargo	1,471,910	1,441,646	2%	5%	✓	1437	2.04%
Asset-Backed Securities	**464,934**	**462,587**	**1%**			**1449**	**1.37%**
Hyundai Auto Receivables	379,941	377,992	0%	5%	✓	1491	1.39%
John Deere Owner Trust	84,993	84,595	0%	5%	✓	1262	1.25%
Supranational Securities	**1,296,900**	**1,286,850**	**2%**			**714**	**1.03%**
Inter-American Development Bank	648,050	640,903	1%	100%	✓	863	1.10%
International Bank of Reconstruction and Development	648,850	645,947	1%	100%	✓	565	0.95%
Total	**80,816,320**	**80,465,706**				**493**	**1.08%**

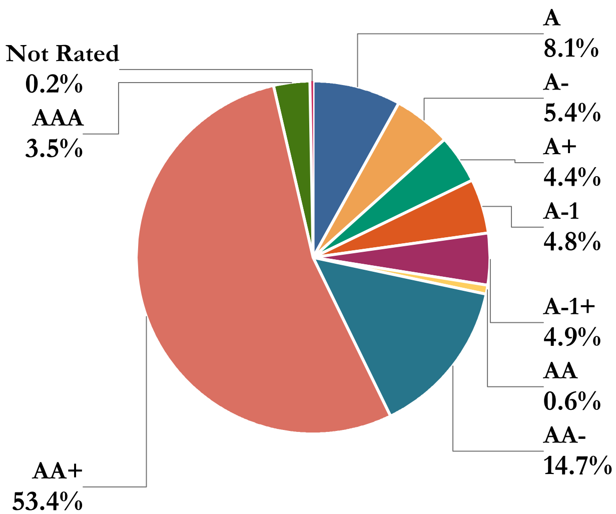
Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.
Per issuer limit.

Portfolio Statistics

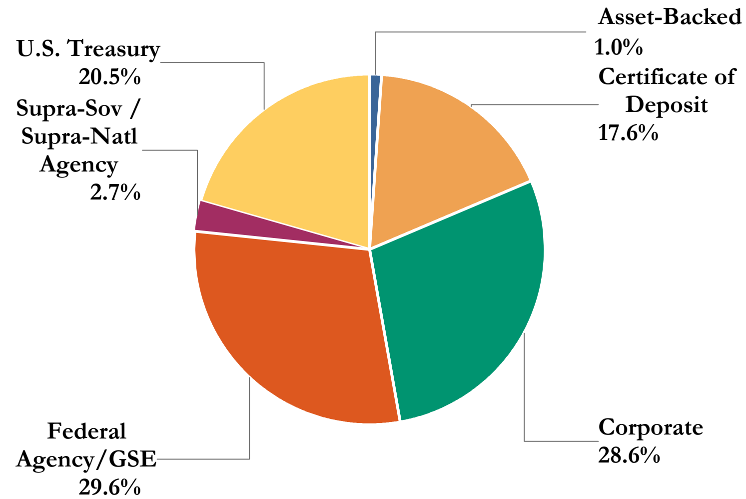
As of December 31, 2016

Par Value:	47,200,000
Total Market Value:	47,594,453
Security Market Value:	47,349,867
Accrued Interest:	214,424
Cash:	30,161
PFM	-
Amortized Cost:	47,471,409
Yield at Market:	1.52%
Yield at Cost:	1.50%
Effective Duration:	2.16 Years
Duration to Worst:	2.20 Years
Average Maturity:	2.28 Years
Average Credit:	AA

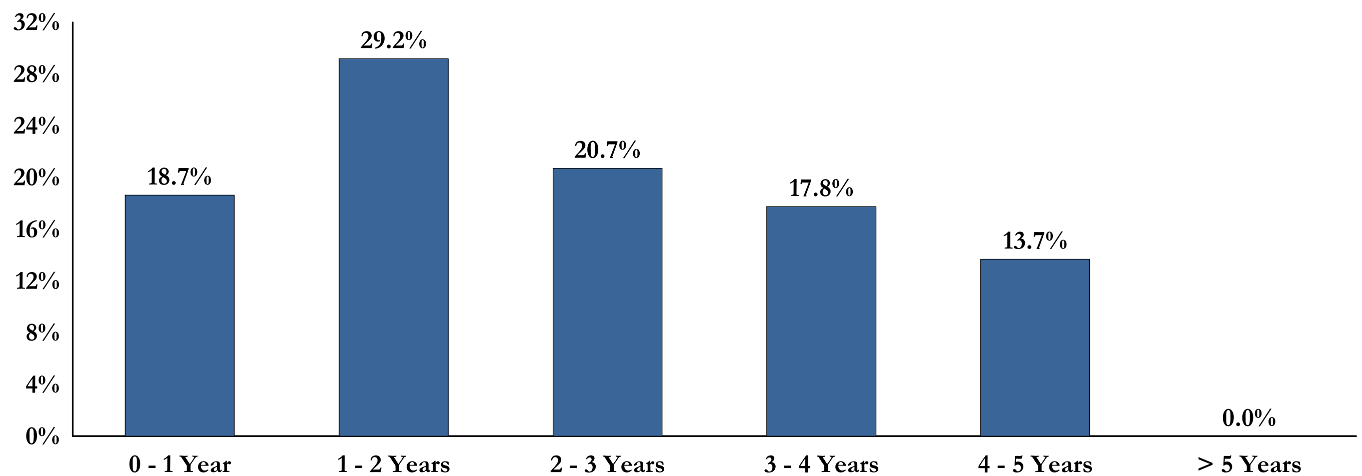
Credit Quality (S&P Ratings)



Sector Allocation



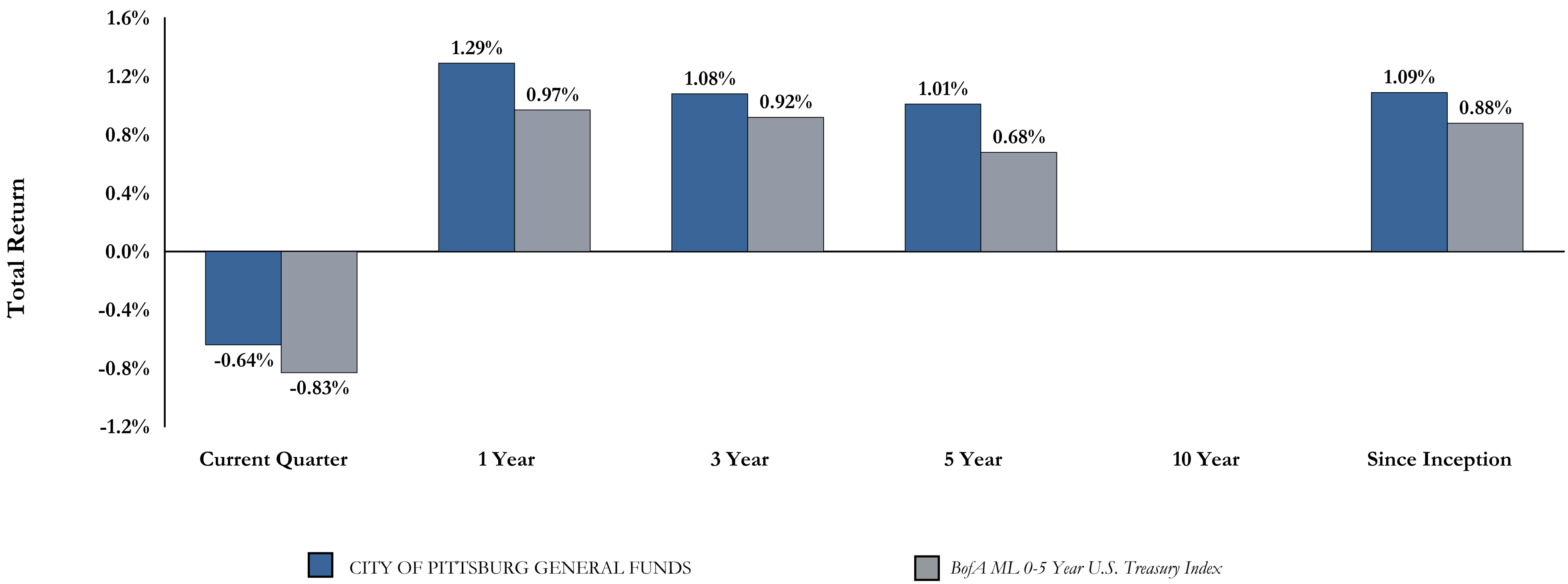
Maturity Distribution



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 3 Year	5 Year	10 Year	Since Inception (09/30/10) *
CITY OF PITTSBURG GENERAL FUNDS	2.16	-0.64%	1.29%	1.08%	1.01%	-	1.09%
BofA ML 0-5 Year U.S. Treasury Index	*2.16*	*-0.83%*	*0.97%*	*0.92%*	*0.68%*	-	*0.88%*
Difference		0.19%	0.32%	0.16%	0.33%	-	0.21%



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

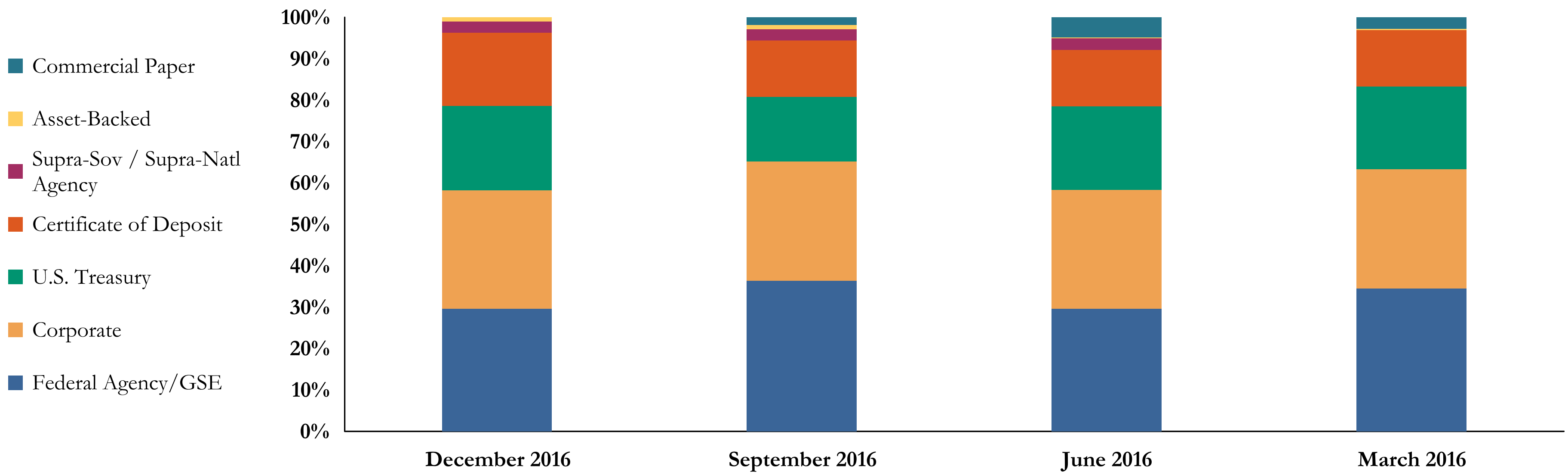
Portfolio Earnings

Quarter-Ended December 31, 2016

	Market Value Basis	Accrual (Amortized Cost) Basis
Beginning Value (09/30/2016)	$47,494,247.36	$47,159,668.12
Net Purchases/Sales	$364,605.65	$364,605.65
Change in Value	($508,985.77)	($52,864.82)
Ending Value (12/31/2016)	$47,349,867.24	$47,471,408.95
Interest Earned	$200,333.55	$200,333.55
Portfolio Earnings	($308,652.22)	$147,468.73

Sector Allocation

	December 31, 2016		September 30, 2016		June 30, 2016		March 31, 2016	
Sector	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**	**MV ($MM)**	**% of Total**
Federal Agency/GSE	14.0	29.6%	17.3	36.5%	14.1	29.6%	16.3	34.5%
Corporate	13.5	28.6%	13.7	28.8%	13.6	28.7%	13.6	28.8%
U.S. Treasury	9.7	20.5%	7.4	15.5%	9.6	20.2%	9.4	20.0%
Certificate of Deposit	8.3	17.6%	6.5	13.6%	6.5	13.6%	6.4	13.7%
Supra-Sov / Supra-Natl Agency	1.3	2.7%	1.3	2.7%	1.3	2.8%	0.0	0.0%
Asset-Backed	0.5	1.0%	0.5	1.0%	0.1	0.3%	0.1	0.3%
Commercial Paper	0.0	0.0%	0.9	1.9%	2.3	4.8%	1.3	2.7%
Total	**$47.3**	**100.0%**	**$47.5**	**100.0%**	**$47.5**	**100.0%**	**$47.2**	**100.0%**

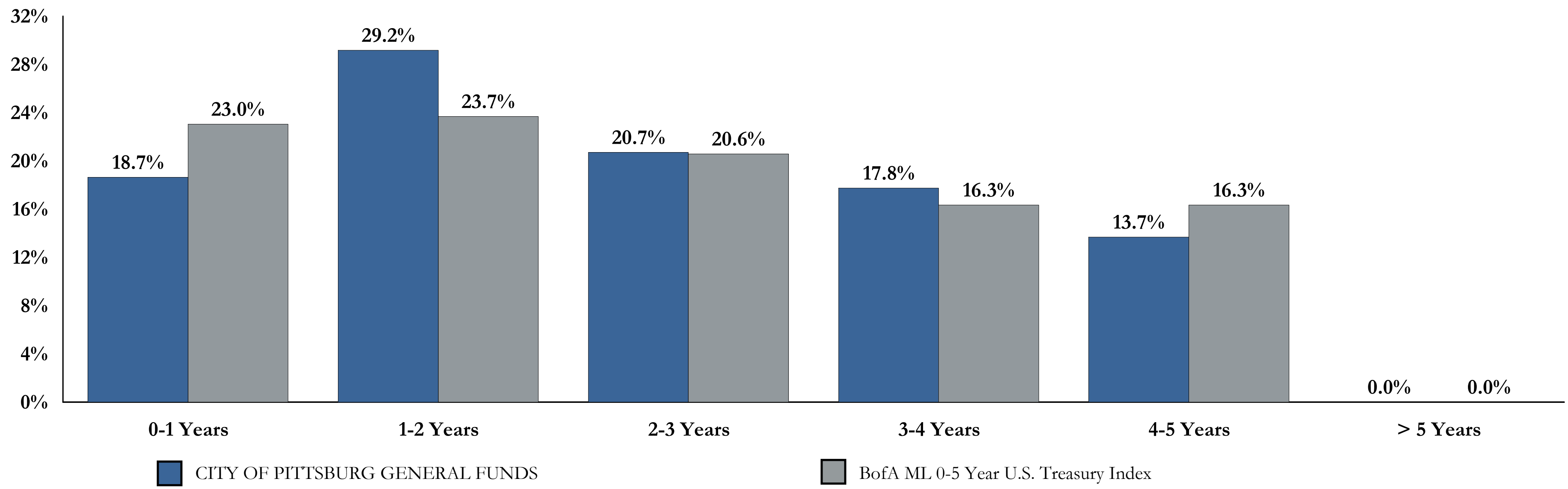


Detail may not add to total due to rounding.

Maturity Distribution

As of December 31, 2016

Portfolio/Benchmark	Yield at Market	Average Maturity	0-1 Years	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
CITY OF PITTSBURG GENERAL FUNDS	1.52%	2.28 yrs	18.7%	29.2%	20.7%	17.8%	13.7%	0.0%
BofA ML 0-5 Year U.S. Treasury Index	*1.26%*	*2.31 yrs*	*23.0%*	*23.7%*	*20.6%*	*16.3%*	*16.3%*	*0.0%*



Sector/Issuer Distribution

As of December 31, 2016

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
Asset-Backed			
HYUNDAI AUTO RECEIVABLES	377,992	81.7%	0.8%
JOHN DEERE OWNER TRUST	84,595	18.3%	0.2%
Sector Total	**462,587**	**100.0%**	**1.0%**
Certificate of Deposit			
BANK OF MONTREAL	1,150,737	13.8%	2.4%
BANK OF NOVA SCOTIA	1,151,012	13.8%	2.4%
CANADIAN IMPERIAL BANK OF COMMERCE	947,586	11.4%	2.0%
HSBC HOLDINGS PLC	1,152,001	13.8%	2.4%
NORDEA BANK AB	947,586	11.4%	2.0%
ROYAL BANK OF CANADA	695,789	8.3%	1.5%
SKANDINAVISKA ENSKIDA BANKEN AB	1,148,051	13.8%	2.4%
SVENSKA HANDELSBANKEN	1,150,644	13.8%	2.4%
Sector Total	**8,343,405**	**100.0%**	**17.6%**
Corporate			
AMERICAN EXPRESS CO	555,806	4.1%	1.2%
APPLE INC	1,574,800	11.6%	3.3%
BANK OF NEW YORK CO INC	1,396,623	10.3%	2.9%
BERKSHIRE HATHAWAY INC	293,106	2.2%	0.6%

Sector / Issuer	Market Value ($)	% of Sector	% of Total Portfolio
DEERE & COMPANY	982,305	7.3%	2.1%
GENERAL ELECTRIC CO	2,006,542	14.8%	4.2%
IBM CORP	1,722,306	12.7%	3.6%
JP MORGAN CHASE & CO	1,990,304	14.7%	4.2%
TOYOTA MOTOR CORP	1,566,769	11.6%	3.3%
WELLS FARGO & COMPANY	1,441,646	10.7%	3.0%
Sector Total	**13,530,206**	**100.0%**	**28.6%**
Federal Agency/GSE			
FANNIE MAE	10,432,902	74.3%	22.0%
FEDERAL HOME LOAN BANKS	1,506,423	10.7%	3.2%
FREDDIE MAC	2,103,263	15.0%	4.4%
Sector Total	**14,042,589**	**100.0%**	**29.7%**
Supra-Sov / Supra-Natl Agency			
INTER-AMERICAN DEVELOPMENT BANK	640,903	49.8%	1.4%
INTL BANK OF RECONSTRUCTION AND DEV	645,947	50.2%	1.4%
Sector Total	**1,286,850**	**100.0%**	**2.7%**
U.S. Treasury			
UNITED STATES TREASURY	9,684,231	100.0%	20.5%
Sector Total	**9,684,231**	**100.0%**	**20.5%**

Portfolio Total	**47,349,867**	**100.0%**	**100.0%**

- Although we enter 2017 with a high degree of political uncertainty, our expectations are for a modest uptick in economic growth in the U.S., a trend toward higher inflation, and a gradual upward trajectory of interest rates.
- As 2017 starts with the highest yields in several years, we plan to initially position the portfolio's duration to be aligned with the benchmark.
- Agency yield spreads over Treasuries remain narrow. As a result, our strategy will generally favor U.S. Treasuries over agencies, unless specific issues offer identifiable value.
- We will continue to evaluate opportunities in the Agency mortgage-backed security sector, purchasing those issues we believe are well structured, offer adequate yield spreads, and have limited duration variability.
- Our strategy continues to favor broad allocation to various credit sectors, including corporate notes, commercial paper, negotiable bank CDs, and asset-backed securities.
  - Yield spreads on corporate securities also remain narrow. Improving corporate profits, as well as anticipated pro-business tax reform from the incoming Trump administration, support favorable fundamentals of the credit sector.
  - Yields on commercial paper and negotiable CDs continue to offer significant yield pickup relative to short-term government securities.

Account Transactions and Holdings

Quarterly Portfolio Transactions

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
BUY									
10/3/16	10/5/16	1,000,000	912828B90	US TREASURY NOTES	2.00%	2/28/21	1,038,339.95	1.15%	
11/22/16	11/23/16	1,135,000	912828WY2	US TREASURY N/B	2.25%	7/31/21	1,167,099.22	1.78%	
12/1/16	12/5/16	940,000	13606A5Z7	CANADIAN IMPERIAL BANK NY CD	1.76%	11/30/18	939,266.80	1.78%	
12/1/16	12/5/16	1,225,000	912828D72	US TREASURY NOTES	2.00%	8/31/21	1,235,803.88	1.92%	
12/1/16	12/5/16	940,000	65558LWA6	NORDEA BANK FINLAND NY CD	1.76%	11/30/18	940,000.00	1.74%	
12/7/16	12/8/16	535,000	3130AAE46	FHLB NOTES	1.25%	1/16/19	534,978.60	1.25%	
Total BUY		**5,775,000**					**5,855,488.45**		
INTEREST									
10/2/16	10/2/16	2,000,000	36962G6W9	GENERAL ELEC CAP CORP GLOBAL NOTES	1.62%	4/2/18	16,250.00		
10/3/16	10/3/16	0	MONEY0002	MONEY MARKET FUND			1.36		
10/15/16	10/15/16	245,000	44891EAC3	HYUNDAI AUTO RECEIVABLES TRUST	1.29%	4/15/21	210.70		
10/15/16	10/15/16	85,000	47788NAC2	JOHN DEERE ABS 2016-B A3	1.25%	6/15/20	87.74		
10/15/16	10/15/16	135,000	44930UAD8	HYUNDAI ABS 2016-A A3	1.56%	9/15/20	175.50		
10/15/16	10/15/16	1,560,000	459200GM7	IBM CORP CALLABLE BONDS	7.62%	10/15/18	59,475.00		
10/27/16	10/27/16	730,000	3135G0JA2	FNMA NOTES	1.12%	4/27/17	4,106.25		
10/31/16	10/31/16	1,000,000	912828K58	US TREASURY NOTES	1.37%	4/30/20	6,875.00		
10/31/16	10/31/16	1,395,000	912828SS0	US TREASURY NOTES	0.87%	4/30/17	6,103.13		
10/31/16	10/31/16	1,110,000	912828Q78	US TREASURY NOTES	1.37%	4/30/21	7,631.25		
11/1/16	11/1/16	0	MONEY0002	MONEY MARKET FUND			1.61		
11/5/16	11/5/16	555,000	0258M0DZ9	AMERICAN EXP CREDIT CORP NT (CALLABLE)	1.87%	11/5/18	5,203.13		
11/6/16	11/6/16	1,150,000	06417GAS7	BANK OF NOVA SCOTIA HOUSTON YCD	1.56%	11/6/17	8,970.00		
11/6/16	11/6/16	1,560,000	037833AQ3	APPLE INC GLOBAL NOTES	2.10%	5/6/19	16,380.00		
11/13/16	11/13/16	650,000	458182DX7	INTER-AMERICAN DEVELOPMENT BANK	1.00%	5/13/19	3,809.00		

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
11/15/16	11/15/16	135,000	44930UAD8	HYUNDAI ABS 2016-A A3	1.56%	9/15/20	175.50		
11/15/16	11/15/16	245,000	44891EAC3	HYUNDAI AUTO RECEIVABLES TRUST	1.29%	4/15/21	263.38		
11/15/16	11/15/16	85,000	47788NAC2	JOHN DEERE ABS 2016-B A3	1.25%	6/15/20	88.54		
11/16/16	11/16/16	1,150,000	83050FBG5	SKANDINAVISKA ENSKILDA BANKEN NY CD	1.48%	11/16/17	17,256.39		
11/17/16	11/17/16	1,150,000	40428AR41	HSBC BANK USA NA FLOATING CERT DEPOS	1.49%	11/17/17	4,097.13		
11/21/16	11/21/16	1,360,000	3135G0WJ8	FANNIE MAE GLOBAL NOTES	0.87%	5/21/18	5,950.00		
11/25/16	11/25/16	1,150,000	86958DH54	SVENSKA HANDELSBANKEN NY FLT CERT DEPOS	1.37%	8/24/17	3,789.12		
11/27/16	11/27/16	1,775,000	3135G0YT4	FANNIE MAE GLOBAL NOTES	1.62%	11/27/18	14,421.88		
11/30/16	11/30/16	1,165,000	912828VF4	US TREASURY NOTES	1.37%	5/31/20	8,009.38		
12/1/16	12/1/16	0	MONEY0002	MONEY MARKET FUND			2.32		
12/7/16	12/7/16	1,440,000	94974BGR5	WELLS FARGO & COMPANY NOTES	2.55%	12/7/20	18,360.00		
12/15/16	12/15/16	245,000	44891EAC3	HYUNDAI AUTO RECEIVABLES TRUST	1.29%	4/15/21	263.38		
12/15/16	12/15/16	85,000	47788NAC2	JOHN DEERE ABS 2016-B A3	1.25%	6/15/20	88.54		
12/15/16	12/15/16	135,000	44930UAD8	HYUNDAI ABS 2016-A A3	1.56%	9/15/20	175.50		
12/29/16	12/29/16	975,000	3130A8BD4	FEDERAL HOME LOAN BANKS AGCY	0.87%	6/29/18	4,265.63		
12/31/16	12/31/16	1,300,000	912828VJ6	US TREASURY NOTES	1.87%	6/30/20	12,187.50		
Total INTEREST		**24,570,000**					**224,673.86**		

SELL

Trade Date	Settle Date	Par ($)	CUSIP	Security Description	Coupon	Maturity Date	Transact Amt ($)	Yield at Market	Realized G/L (BV)
10/3/16	10/5/16	1,000,000	3135G0GY3	FANNIE MAE GLOBAL NOTES	1.25%	1/30/17	1,005,146.94	0.34%	1,095.48
11/22/16	11/23/16	1,200,000	3130A8QS5	FHLB GLOBAL NOTE	1.12%	7/14/21	1,168,873.50	1.80%	(29,171.63)
12/1/16	12/5/16	1,275,000	3135G0GY3	FANNIE MAE GLOBAL NOTES	1.25%	1/30/17	1,282,076.60	0.46%	448.48
12/1/16	12/5/16	950,000	912828SS0	US TREASURY NOTES	0.87%	4/30/17	951,842.75	0.60%	697.29
12/1/16	12/5/16	880,000	09659BN30	BNP PARIBAS NY BRANCH COMM PAPER	0.00%	1/3/17	879,567.58	0.61%	297.73
12/7/16	12/8/16	200,000	3135G0JA2	FNMA NOTES	1.12%	4/27/17	200,652.25	0.61%	246.88
Total SELL		**5,505,000**					**5,488,159.62**		**-26,385.77**

Managed Account Detail of Securities Held

For the Month Ending **December 31, 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	445,000.00	AA+	Aaa	12/11/14	12/12/14	445,938.67	0.79	666.89	445,130.49	445,508.64
US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UO1	500,000.00	AA+	Aaa	11/05/15	11/09/15	493,750.00	1.55	2,123.62	495,377.15	496,015.50
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	2,354.97	1,004,168.11	993,555.00
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	1,408.24	1,157,851.16	1,157,627.88
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	67.33	1,316,553.71	1,312,542.40
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	5,440.22	811,025.83	799,468.80
US TREASURY NOTES DTD 02/28/2014 2.000% 02/28/2021	912828B90	1,000,000.00	AA+	Aaa	10/03/16	10/05/16	1,036,406.25	1.15	6,795.58	1,034,444.58	1,007,969.00
US TREASURY NOTES DTD 05/02/2016 1.375% 04/30/2021	912828Q78	1,110,000.00	AA+	Aaa	06/27/16	06/29/16	1,130,465.63	0.98	2,614.02	1,128,363.20	1,088,884.47
US TREASURY N/B DTD 07/31/2014 2.250% 07/31/2021	912828WY2	1,135,000.00	AA+	Aaa	11/22/16	11/23/16	1,159,118.75	1.78	10,686.89	1,158,602.05	1,152,778.64
US TREASURY NOTES DTD 09/02/2014 2.000% 08/31/2021	912828D72	1,225,000.00	AA+	Aaa	12/01/16	12/05/16	1,229,306.64	1.92	8,324.59	1,229,246.10	1,229,880.40
Security Type Sub-Total		**9,680,000.00**					**9,791,809.19**	**1.42**	**40,482.35**	**9,780,762.38**	**9,684,230.73**
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	2,559.38	649,203.69	645,946.60
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	866.67	648,500.26	640,903.25
Security Type Sub-Total		**1,300,000.00**					**1,296,899.50**	**1.03**	**3,426.05**	**1,297,703.95**	**1,286,849.85**

Managed Account Detail of Securities Held

For the Month Ending **December 31, 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											
FNMA NOTES DTD 03/01/2012 1.125% 04/27/2017	3135G0JA2	530,000.00	AA+	Aaa	08/27/14	08/28/14	532,697.70	0.93	1,060.00	530,329.79	530,798.71
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	8,925.00	2,099,922.34	2,103,263.40
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	1,322.22	1,350,491.14	1,356,194.72
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	47.40	973,312.90	971,609.93
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	2,724.13	1,779,171.66	1,788,379.95
FHLB NOTES DTD 12/08/2016 1.250% 01/16/2019	3130AAE46	535,000.00	AA+	Aaa	12/07/16	12/08/16	534,978.60	1.25	427.26	534,978.60	534,813.29
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	18,940.63	2,767,092.33	2,788,558.66
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	2,777.78	798,642.78	795,026.40
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	5,178.78	1,427,925.20	1,410,135.87
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	1,535.42	333,935.58	323,767.45
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	1,833.33	397,710.52	386,588.00
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	4,995.83	1,085,899.81	1,053,452.30
Security Type Sub-Total		**14,085,000.00**					**14,081,033.57**	**1.28**	**49,767.78**	**14,079,412.65**	**14,042,588.68**
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	6,037.50	1,395,683.00	1,396,623.20

Managed Account Detail of Securities Held

For the Month Ending **December 31, 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											
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	8,034.72	2,002,691.48	2,006,542.00
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	5,346.25	779,570.90	781,462.50
IBM CORP CALLABLE BONDS 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	25,111.67	1,716,797.75	1,722,305.52
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	1,618.75	554,968.97	555,805.86
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	1,874.17	199,991.85	200,842.60
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	750.83	149,915.64	149,867.10
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	5,005.00	1,563,198.83	1,574,799.72
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	15,009.58	1,560,308.65	1,566,768.84
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	712.11	144,876.77	143,239.12
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	19,700.63	1,988,670.22	1,990,303.77
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	2,448.00	1,467,619.76	1,441,645.92
Security Type Sub-Total		**13,345,000.00**					**13,727,530.85**	**1.92**	**91,649.21**	**13,524,293.82**	**13,530,206.15**
Certificate of Deposit											
BMO HARRIS BANK NA CD DTD 10/23/2015 1.000% 04/24/2017	05574BFW5	1,150,000.00	A-1	P-1	10/22/15	10/23/15	1,150,000.00	1.01	13,927.78	1,150,000.00	1,150,737.15

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											
SVENSKA HANDELSBANKEN NY FLT CERT DEPOS DTD 11/24/2015 1.375% 08/24/2017	86958DH54	1,150,000.00	A-1+	P-1	11/20/15	11/24/15	1,150,000.00	0.84	1,665.72	1,150,000.00	1,150,644.00
BANK OF NOVA SCOTIA HOUSTON YCD DTD 11/09/2015 1.560% 11/06/2017	06417GAS7	1,150,000.00	A+	Aa3	11/06/15	11/09/15	1,150,000.00	1.55	2,740.83	1,150,000.00	1,151,012.00
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	2,174.78	1,150,000.00	1,148,050.75
HSBC BANK USA NA FLOATING CERT DEPOS DTD 11/18/2015 1.496% 11/17/2017	40428AR41	1,150,000.00	A-1+	P-1	11/17/15	11/18/15	1,150,000.00	0.97	2,150.82	1,150,000.00	1,152,001.00
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	3,675.78	695,000.00	695,788.83
CANADIAN IMPERIAL BANK NY CD DTD 12/05/2016 1.760% 11/30/2018	13606A5Z7	940,000.00	A+	Aa3	12/01/16	12/05/16	939,266.80	1.78	1,240.80	939,294.11	947,585.80
NORDEA BANK FINLAND NY CD DTD 12/05/2016 1.760% 11/30/2018	65558LWA6	940,000.00	AA-	Aa3	12/01/16	12/05/16	940,000.00	1.74	1,240.80	940,000.00	947,585.80
Security Type Sub-Total		**8,325,000.00**					**8,324,266.80**	**1.35**	**28,817.31**	**8,324,294.11**	**8,343,405.33**
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	84,994.13	84,594.97
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	134,978.66	134,965.64
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	140.47	244,969.25	243,025.89
Security Type Sub-Total		**465,000.00**					**464,934.06**	**1.37**	**281.29**	**464,942.04**	**462,586.50**
Managed Account Sub-Total		**47,200,000.00**					**47,686,473.97**	**1.50**	**214,423.99**	**47,471,408.95**	**47,349,867.24**

CITY OF PITTSBURG GENERAL FUNDS

Securities Sub-Total	**$47,200,000.00**	**$47,686,473.97**	**1.50%**	**$214,423.99**	**$47,471,408.95**	**$47,349,867.24**
Accrued Interest						**$214,423.99**
Total Investments						**$47,564,291.23**

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 Interactive Data, Bloomberg or Telerate. 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 or 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: February 21, 2017

TO: Mayor and Council Members

FROM: Joe Sbranti, City Manager

SUBJECT: Receive and File the Treasurer's Report for the Quarter Ending December 31, 2016

EXECUTIVE SUMMARY

Attached is the Treasurer's Report for the fiscal quarter ending December 31, 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 December 31, 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 December 31, 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 increased by $3.4 million during the second quarter of Fiscal Year 2016-17, from $121.1 million on September 30, 2016 to $124.5 million on December 31, 2016 (Table I). The primary increases are due to 1) received $5 million in property taxes and 2) use 1.6 million to cover normal operating expenses.

Of the total cash and investments reported above, only the portions held in the City's General Fund, $30.1 million (24.1%) and Internal Service Funds, $3 million (2.4%) are unrestricted, although a portion of these amounts may be committed for existing obligations or designated for specific purposes. The remaining $91.5 million (73.5%) 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 December 31, 2016. Investment income for the quarter was <$294,142>. The decrease in investment income was due to quarterly market value adjustment of <$461,093>. The portfolio's total return for the quarter was <0.64%>, which outperformed the <0.83%> 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 1.08%.

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 December 31, 2016, investments in the State's Local Agency Investment Fund (LAIF) were $23,963,813. Earning from LAIF was 0.68 % and LAIF investments portfolio composed of 57% U.S. Treasuries and Agency notes, 23% in Time Deposits and Bank Notes and 20% 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 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