Council Meeting of
May 8, 2018

Honorable Mayor and Members
of City Council
City Hall
Torrance, California

Members of Council:

SUBJECT: City Treasurer - Accept and File Revised Investment Reports for July 2017, December 2017, and January 2018.
Expenditure: None.

RECOMMENDATION

Recommendation of the City Treasurer that City Council accept and file Revised Investment Reports for July 2017, December 2017, and January 2018.

FUNDING

None required for this item.

BACKGROUND

July 2017 Investment Report

On September 12, 2017, Your Honorable Body accepted and filed Investment Report for July 2017.

After further review it was discovered that a scrivener's error was made on page 6 above the Federal Agencies Distribution pie chart, the original report submitted stated "Federal Agencies Distribution (59.63% of Total Portfolio)", which has been corrected to "Federal Agencies Distribution (56.48% of Total Portfolio)".

Attached is the Revised Monthly Investment Report for July 2017 with changes noted.

December 2017 Investment Report

On February 6, 2018, Your Honorably Body accepted and filed Investment Report for December 2017.

After further review it was discovered that a scrivener's error was made on page 7 above the signature block, the original report submitted stated "Investment Report for November 2017 reviewed by the Investment Advisory Committee", which has been corrected to state "Investment Report for December 2017 reviewed by the Investment Advisory Committee."

Attached is the Revised Monthly Investment Report for December 2017 with changes noted.

January 2018 Investment Report

On March 6, 2018, Your Honorably Body accepted and filed Investment Report for January 2018.

After further review it was discovered that two (2) scrivener's errors were made on page 7:

1) Under the column labeled "Ending Investment Value", the original report submitted stated "As of Decmeber31, 2017", which has been corrected to state: "As January 31, 2018."
2) The header above the signature block, the original report submitted stated "Investment Report for November 2017 reviewed by the Investment Advisory Committee", which has been corrected to state "Investment Report for January 2018 reviewed by the Investment Advisory Committee."

Attached is the Revised Monthly Investment Report for January 2018 with changes noted.

Respectfully submitted,

Dana Cortez
City Treasurer

NOTED:

LeRoy J. Jackson
City Manager

Attachment

A.) Revised July 2017 Investment Report
B.) Revised December 2017 Investment Report
C.) Revised January 2018 Investment Report

City of Torrance, California
Investment Report Summary Notes
For the Month of: December 2017

Investment Activity during the Period

The investment activity for December 2017 included 8 purchases and 2 redemptions.

Purchaser-Issuer	Rating	Par Value	Term	Coupon	YTM	Structure
Federal Home Loan Mortgage Co	AA+	1,000,000	3.5 YR	2.050%	2.050%	3.5 6M NC 1X
First Northeast Bk of Nebraska	FDIC	245,000	5 YR	2.250%	2.251%	Bullet
Knoxville TVA Credit Union	FDIC	245,000	5 YR	2.300%	2.303%	Bullet
First Internet Bank of Indiana	FDIC	245,000	5 YR	2.350%	2.350%	Bullet
Farmers and Merchants BK of	FDIC	245,000	5 YR	2.250%	2.252%	Bullet
Federal Home Loan Mortgage Co	AA+	2,260,000	5 YR	2.450%	2.450%	5YR 1YRNC Qtrly
FEDERAL FARM CREDIT	AA+	1,000,000	4 YR	2.230%	2.283%	4YR 1X NC 1YR
FEDERAL FARM CREDIT	AA+	1,000,000	4.1 YR	1.620%	2.306%	4YR Continuous

Redemption-Issuer	Rating	Par Value	Term	Coupon	YTM
Federal Home Loan Mortgage Co	AA+	2,000,000	5 YR	0.850%	0.850%
Webster Bank #18221	FDIC	245,000	5 YR	1.000%	1.000%

Structure Definition:

Bullet Bond – Bullet bonds are non-callable. Bullet bonds cannot be redeemed early by an issuer.

NC 6Mon QTR – No Call for six-month, quarterly thereafter bond

Step-Up Bond – A bond that pays an initial coupon rate for the first period, and then a higher coupon rate for the following periods. A step-up bond is one in which subsequent future coupon payments are received at a higher, predetermined amount than previous or current periods. These bonds usually have a callable component.

The Local Agency Investment Fund (LAIF) balance was $13 million with an average monthly yield of 1.239%, detailed on page 3 of the Investment Report. The aggregate investment portfolio balance on November 30, 2017 was $142,337,460. As of December 31, 2017 the ending balance is $141,808,573 resulting in a decrease of $529 thousand from the previous month.

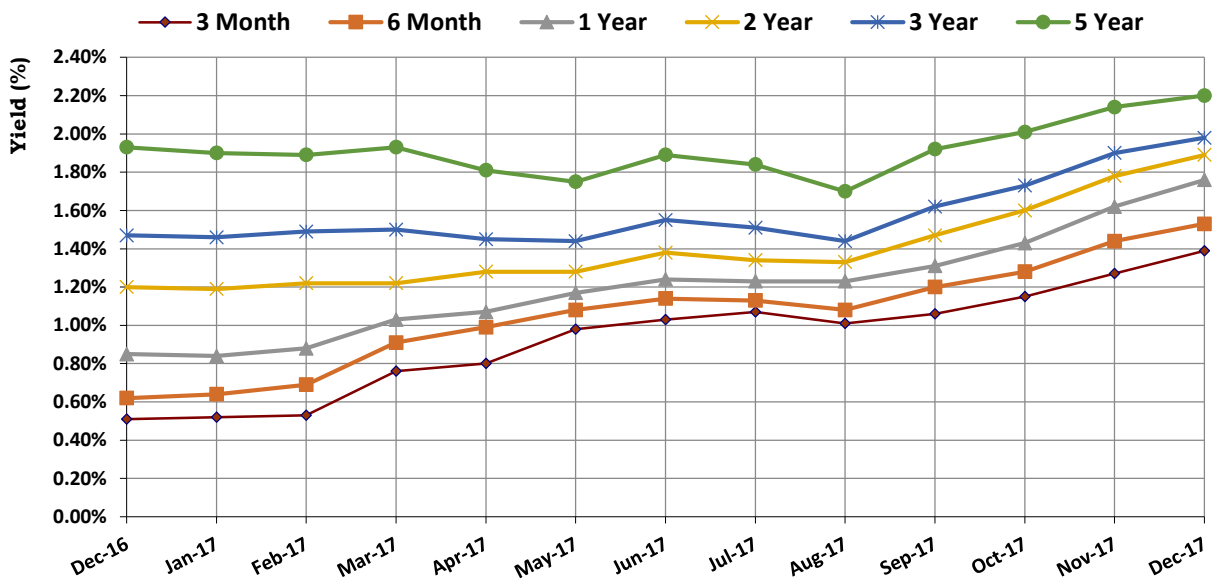
Liquidity of the Portfolio

- The current goal is to keep the investment portfolio at an average maturity of 2 years based on current economic conditions. The portfolio's current average maturity is 766 days or 2.10 years, representing a 47-day increase from the previous month.
- The goal is to keep an average of $10-$20 million in liquid assets in order to meet operational needs and for unexpected expenditures that may arise. Liquid assets would be funds available within a 5-day period if not sooner. The current short-term liquidity balance is $36 million. Short term funds are assets that mature within the next six (6) month making them available for pending expenditures for the same period. The City is in compliance with California Government Code Section 53646 which requires local agency to report its ability to meet pooled expenditure requirements for the next six (6) months. For the period of December through May, cash inflows exceed cash outflows on average by about $39 million, in addition to the short-term liquidity requirement of $36 million. The excess is set aside for the upcoming TRAN payment in the month of July.

Investment Comparison to Benchmark

For the month of December, the City's yield to maturity on pooled investments was 1.596%; the yield increase from the previous month by 0.063%. The average effective rate of return for fiscal year-to-date is 1.420%. The average yield on the 2 year U.S. Constant Maturing Treasury (CMT) was 1.890% which reflects an increase of 11 basis point or 0.110% compared to the prior month. The portfolio performed below the CMT benchmark by 29 basis points or 0.294%. As interest rates continue to slowly move upward the spread between the portfolio performance and the benchmark has been tightening, because the portfolio is generally 'buy and hold'. It is expected that the portfolio will underperform to its benchmark

because we "buy and hold" until that redemptions are replaced with higher yield financial instruments. As the short end of the yield curve continues to rise LAIF rates will also follow a similar yield curve. The graph enclosed tracks the CMT yields for the past twelve month period for a variety of terms. The City's portfolio will stay the course based on the current economic trends. Covering cash flow needs rank as the top priority.



City of Torrance, California
Monthly Investment Portfolio Report
December 31, 2017

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Investment Report
December 2017

Portfolio Highlights

RETURN	12/31/2017	11/30/2017	
City Portfolio YTM	1.596%	1.533%	
U.S. Treasury Constant Maturity (2 year)	1.890%	1.780%	
LAIF Monthly Return	1.239%	1.172%	
FISCAL YEAR TO DATE			
City Portfolio YTM June 30, 2017	1.213%		
EFFECTIVE RATE OF RETURN	Year to Date	Prior Year to Date	
Effective Rate of Return	1.420%	1.390%	
INTEREST INCOME	**Current Period**	**Prior Month**	
Fiscal Year to Date	$1,062,410.22	$877,979.41	
Current Month	$184,408.99	$175,995.43	
MATURITY	**Current Month**	**Prior Month**	
Days to Maturity	766	719	
Days to Maturity (Prior Year)	635	587	
Average Maturity (Years)	2.10	1.97	
VOLUMES	**Total Volume ($)***	**# of Transactions****	
Purchases/Deposits*	$24,978,413	8	
Maturities/Redemptions*	$25,518,405	2	

*Includes LAIF and MMA activity

**Transaction count does not include LAIF or MMA activity

Portfolio Activity Summary

Month End	Year	# of Securities	Average Balance	Yield to Maturity 360 (%)	Yield to Maturity 365 (%)	Managed Pool Rate	# of Investments Purchased	# of Investments Redeemed	Average Term	Average Days to Maturity
December	**2016**	122	149,823,922.83	1.240	1.257	0.719	4	0	1,334	635
January	**2017**	119	155,699,041.54	1.172	1.189	0.751	0	3	1,189	560
February	**2017**	123	171,520,182.22	1.203	1.220	0.777	4	0	1,209	578
March	**2017**	126	172,536,545.93	1.237	1.254	0.821	5	2	1,235	588
April	**2017**	128	176,001,879.68	1.235	1.252	0.884	2	0	1,169	542
May	**2017**	129	187,079,349.71	1.240	1.258	0.925	1	0	1,133	508
June	**2017**	123	190,067,605.41	1.197	1.213	0.978	3	9	1,052	483
July	**2017**	129	165,786,383.71	1.322	1.340	1.051	6	3	1,282	625
August	**2017**	134	152,836,617.33	1.407	1.427	1.084	8	4	1,352	662
September	**2017**	131	149,098,446.38	1.421	1.440	1.111	1	2	1,366	659
October	**2017**	134	142,452,558.72	1.476	1.497	1.143	5	8	1,388	711
November	**2017**	128	142,249,150.15	1.512	1.533	1.172	2	3	1,349	719
December	**2017**	133	138,918,558.94	1.574	1.596	1.239	8	2	1,397	766
	Average:	**128**	**160,970,201.74**	**1.326%**	**1.344%**	**0.973%**	**4**	**3**	**1,266**	**618**

Investment Report
December 2017

Portfolio Summary

	Book Value ($)	BV % of Portfolio	Market Value ($)	MV % of Portfolio	S&P Rating	% per Policy	Modified Duration	Days to Maturity	Maximum Term	YTM
Local Agency Investment Fund (LAIF)	**$13,000,000**	**9.17%**	**$13,000,000**	**9.23%**	**LAIF**	**$65Mil**	**0.000**	**1**	**N/A**	**1.239%**
Union Bank Custodial - Money Market Account	**$2,763,219**	**1.95%**	**$2,763,219**	**1.96%**	**A-1**	**100%**	**0.000**	**1**	**N/A**	**0.980%**
U.S. Treasury Securities	**$9,889,274**	**6.97%**	**$9,845,850**	**6.99%**	**AA+**	**100%**	**2.082**	**784**	**5 Year**	**1.644%**
Federal Agency Issues	**$83,109,109**	**58.61%**	**$82,432,212**	**58.50%**	**AA+**	**75%**	**2.293**	**874**	**5 Year**	**1.595%**
Farmer Mac	21,374,151	15.07%	21,227,166	15.07%		30%	1.723	648	5 Year	1.457%
Federal Farm Credit Bank	7,975,803	5.62%	7,934,680	5.63%		30%	1.569	599	5 Year	1.593%
Federal Home Loan Bank	25,977,980	18.32%	25,761,770	18.28%		30%	2.617	1,001	5 Year	1.637%
Federal Home Loan Mortgage Corporation	14,266,887	10.06%	14,159,457	10.05%		30%	3.179	1,215	5 Year	1.838%
Federal National Mortgage Association	13,514,287	9.53%	13,349,139	9.47%		30%	2.067	788	5 Year	1.474%
Negotiable Certificates of Deposit	**$15,066,889**	**10.62%**	**$14,960,911**	**10.62%**	**FDIC**	**20%**	**2.668**	**1,018**	**5 Years**	**1.778%**
Medium-Term Notes	**$17,980,082**	**12.68%**	**$17,898,230**	**12.70%**		**20%**	**1.894**	**716**	**5 Year**	**1.779%**
Apple Inc.	4,497,043	3.17%	4,471,885	3.17%	AA+	5%	1.088	408	5 Year	1.351%
Chevron Corp.	3,025,389	2.13%	3,011,910	2.14%	AA	5%	2.203	830	5 Year	1.936%
Colgate Palmolive Co.	1,999,210	1.41%	1,994,320	1.42%	AA-	5%	0.821	304	5 Year	1.549%
IBM	1,980,889	1.42%	1,975,480	1.40%	AA-	5%	2.306	865	5 Year	2.050%
MicroSoft Corporation	3,975,805	2.80%	3,939,560	2.80%	AAA	5%	3.095	1,175	5 Year	1.922%
Toronto Dominion Bank	1,000,000	0.71%	1,003,200	0.71%	AA-	5%	2.827	1,078	5 Year	2.473%
Toyota Motor Credit Corporation	1,501,747	1.06%	1,501,875	1.07%	AA-	5%	0.801	296	5 Year	1.850%
Total Investments:	**$141,808,573**	**100%**	**$140,900,422**	**100%**			**2.012**	**766**		**1.596%**
Earnings Allowance Credit 0.250%* — **Cash In Bank (General):**	**$6,703,020**									
Cash In Bank (Housing):	**$3,661,383**									
Total Funds:	**$152,172,976**									

***To offset against bank fees**

I certify that this report accurately reflects all pooled investments and is in conformity with the City of Torrance Investment Policy Statement adopted by Resolution 2016-92 on December 6, 2016, per California Government Code §53601. A copy of this policy is available at the office of the City Clerk.

Fiscal YTD
1.420%

Effective Rate of Return

Dana Cortez
City Treasurer

William Yu
Deputy City Treasurer

1/18/18
Date

Investment Report
December 2017

Purchases	Broker	Purchase Date	Description	Quality Rating	Maturity Date	Term	Coupon (%)	YTM 365 (%)	Par Value ($)	Book Value ($)	Market Value ($)
Investment Number											
11274	Stifel	12/28/2017	Federal Home Loan Mortgage Corporation	AA+	6/28/2021	3.5 YR	2.050%	2.050%	1,000,000	1,000,000	998,050
11275	Higgins	12/15/2017	First Northeast Bk of Nebraska	FDIC	12/15/2022	5 YR	2.250%	2.251%	245,000	245,000	242,102
11276	Higgins	12/7/2017	Knoxville TVA Credit Union	FDIC	12/7/2022	5 YR	2.300%	2.303%	245,000	245,000	242,744
11277	Higgins	12/18/2017	First Internet Bank of Indiana	FDIC	12/19/2022	5 YR	2.350%	2.350%	245,000	245,000	243,209
11278	Higgins	12/21/2017	Farmers and Merchants BK of	FDIC	12/21/2022	5 YR	2.250%	2.252%	245,000	245,000	242,048
11279	Stifel	12/28/2017	Federal Home Loan Mortgage Corporation	AA+	12/28/2022	5 YR	2.450%	2.450%	2,260,000	2,260,000	2,252,587
11280	Stifel	12/22/2017	FEDERAL FARM CREDIT BANK	AA+	12/21/2021	4 YR	2.230%	2.283%	1,000,000	998,051	997,280
11281	Stifel	12/22/2017	FEDERAL FARM CREDIT BANK	AA+	2/10/2022	4.1 YR	1.620%	2.306%	1,000,000	978,136	974,060
Average Coupon Rate / Totals							**2.188%**	**2.281%**	**6,240,000**	**6,216,186**	**6,192,079**

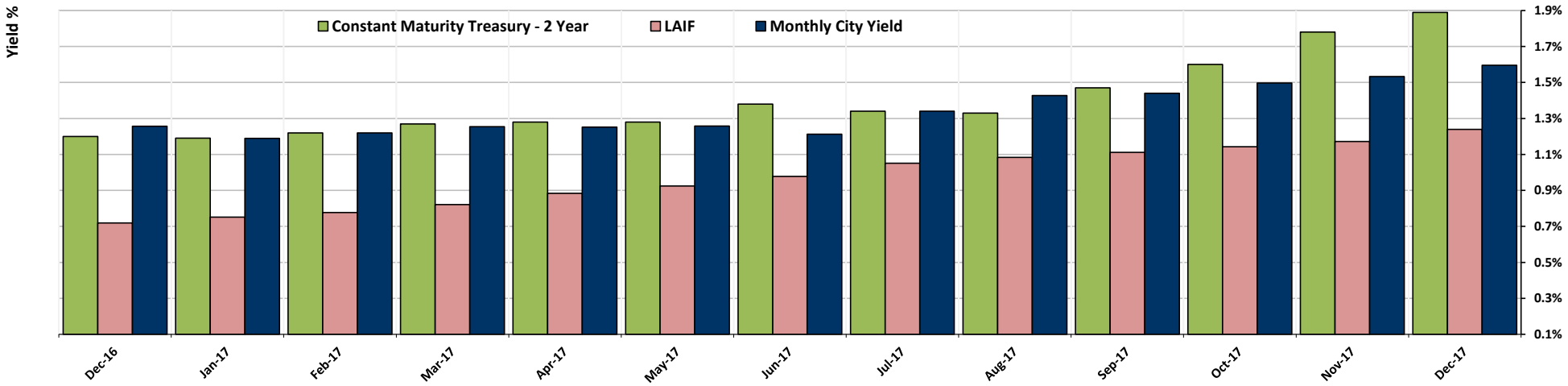
Maturities/Calls /Sales	Broker	Purchase Date	Description	Quality Rating	Maturity Date	Days Held/Days to Maturity	Coupon (%)	YTM 365 (%)	Par Value ($)	Book Value ($)	Market Value ($)
Investment Number											
11079	Great Pacific	12/26/2012	Federal Home Loan Mortgage Corporation	AA+	12/26/2017	1826/1826	0.850%	0.850%	2,000,000	2,000,000	2,000,000
11081	Vining Sparks	12/12/2012	Webster Bank #18221	FDIC	12/12/2017	1826/1826	1.000%	1.000%	245,000	245,000	245,000
Annualized Yield / Totals								**0.866%**	**2,245,000**	**2,245,000**	**2,245,000**

UBOC		Beginning Balance	Coupon (%)	Yield (%)	Deposits ($)	Withdrawals ($)		Ending Balance ($)	
Money Market		3,212,989	0.980%	0.980%	7,767,323	8,217,092		**2,763,219**	

LAIF	Beginning Balance	Coupon (%)	Yield (%)	Deposits ($)	Withdrawals ($)	Interest Earned ($)	Ending Balance ($)
City	17,056,313	1.239%	1.239%	11,000,000	15,056,313	-	13,000,000
Totals	**$17,056,313**			**$11,000,000**	**$15,056,313**	**$0**	**$13,000,000**

Investment Report
December 2017

Portfolio Performance



Portfolio Earnings Summary	December 31, 2017	Fiscal YTD
CD/Coupon/Discount Investments:		
Interest Collected	279,396.80	877,070.58
Plus Interest at End of Period	348,723.05	348,723.02
Less Accrued Interest* at Beginning of Period	(470,114.88)	(302,529.64)
Interest Earned during this Period	**$158,004.97**	**$923,263.96**
Adjusted By Premiums/Discounts	11,105.88	28,592.54
Adjusted by Capital Gains or Losses (Unrealized)	0.00	2,156.00
Earnings during Periods	**$169,110.85**	**$954,012.50**
Cash/Checking Accounts:		
Interest Collected	465.89	172,287.12
Plus Accrued Interest* at End of Period	39,639.69	39,639.69
Less Interest at Beginning of Period	(24,807.44)	(103,529.09)
Interest Earned this Period	**$15,298.14**	**$108,397.72**
Total Interest Earned	**$173,303.11**	**$1,031,661.68**
Total Adjustments from Premium and Discounts	11,105.88	28,592.54
Total Capital Gains or Loss (Unrealized)	0.00	2,156.00
Total Earnings this Period	**$184,408.99**	**$1,062,410.22**

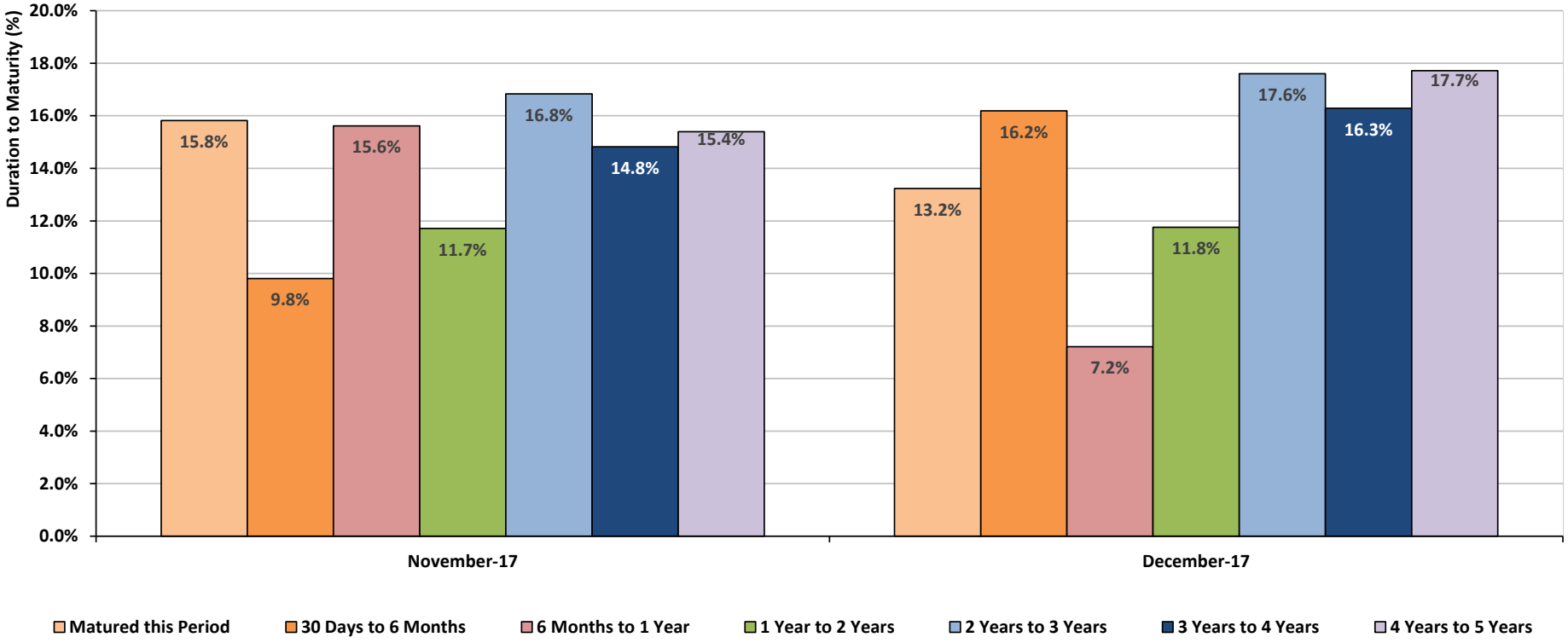
Notes :

***Accrued Interest**: Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives $40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller $10 as the latter's proportion of interest earned.)

Adjusted by Premiums/Discounts represents the premium or discount cost involved to secure higher or lower yield securties. The cost of the premium or discount is amoritized down or up respectively to par over the life of the bond until reaching maturity. By amortizing, the amount of taxable interest is reduced for each year the city owns the bond. This is because the amortized premium or discounts offsets the ordinary income of the coupon payment.

As long as a bond is held to maturity there will be no capital loss or gain to report.

Maturity Distribution

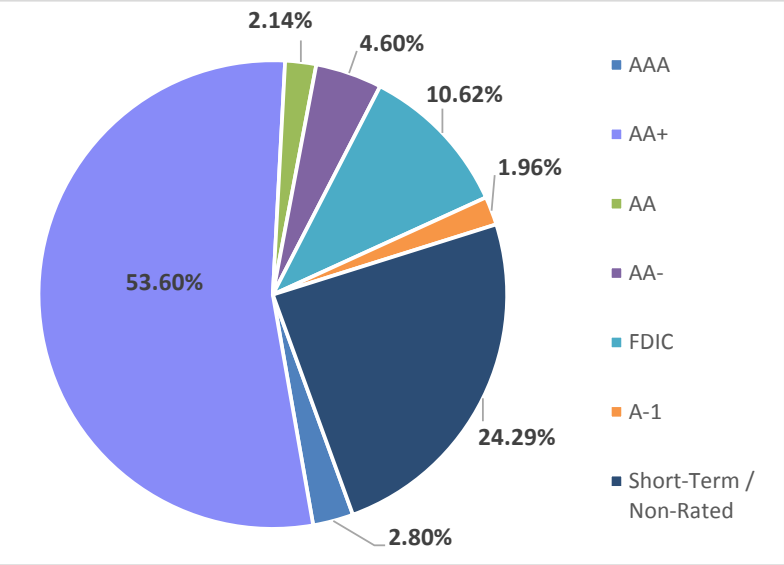


NOTE: SB 564 passed in 1995, effective February 1, 1996, requires that local agencies submit a quarterly report to the legislative body containing detailed information on all securities, investments, and monies of the local agency was eliminated by AB 2853 on September 29, 2004 .

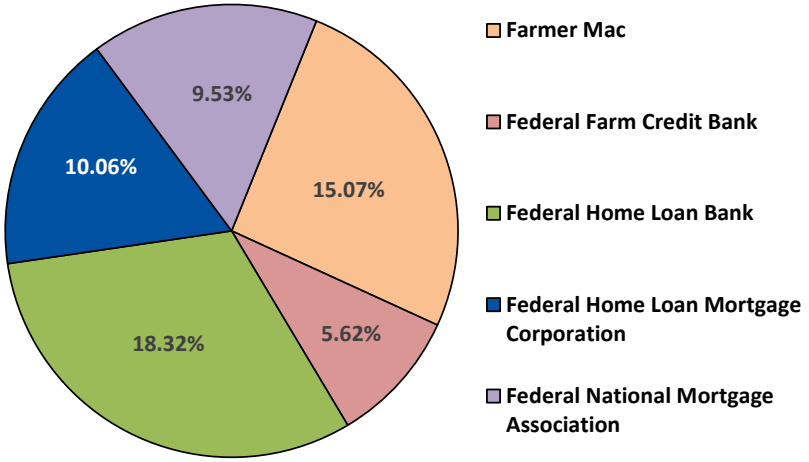
CA GC §53646(b)(3) requires a statement of compliance of the portfolio with the statement of investment policy and a statement of the local agency's ability to meet the expenditure requirements of the pool for the next six months. We are in compliance with the section.

Portfolio Distribution

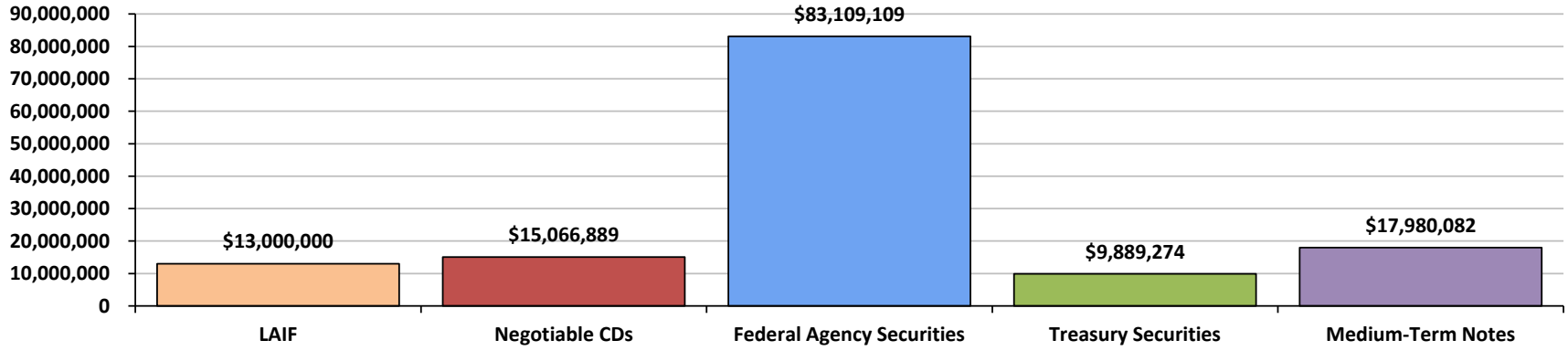
Assigned Credit Ratings of Investments *(Total Portfolio)*



Federal Agencies Distribution *(58.61% of Total Portfolio Book Value)*



Portfolio Sectors *(Book Value)*



Investment Report
December 2017

	Beginning Investment Value As of July 1, 2017	Purchase / Redemption of Principal	Change in Market Value	Ending Investment Value As of December 31, 2017
U.S. Treasury Securities	8,904,160	988,906	(47,216)	9,845,850
Federal Agency (Coupon)	85,612,155	(2,771,260)	(408,683)	82,432,212
Negotiable Certificate of Deposits	13,590,483	1,467,844	(97,416)	14,960,911
Medium-Term Notes	17,027,595	973,510	(102,875)	17,898,230
Municipal Bonds		-		-
Sub-total per GASB 31:	**$125,134,393**	**$659,000**	**($656,190)**	**$125,137,203**
Non-GASB				
Local Agency Investment Funds	50,000,000	(37,000,000)		13,000,000
Money Market	10,000,583	(7,237,364)		2,763,219
Federal Agency – Disc.	-	-	-	-
Treasury Security – Disc.	-	-	-	-
Certificate of Deposits -Disc.	-	-	-	-
Commercial paper	-	-	-	-
Sub-total Non-GASB:	**$60,000,583**	**($44,237,364)**	**$0**	**$15,763,219**
Total Portfolio:	**$185,134,976**	**($43,578,364)**	**($656,190)**	**$140,900,423**

The Governmental Accounting Standards Board (GASB) has established Statement No. 31 for setting investment valuation standards. We report the unrealized gain/(loss) monthly and book realized gain/(loss) at year end as a GASB 31 requirement.

GASB 31 is a reporting requirement that reports the "Fair Value" of investments held in our portfolio. Fair value is the amount at which a financial instrument (investment) could be exchanged in a current transaction between willing parties at current market prices. It is important to understand the relationship between prevailing interest rates and fixed coupon investments. As market interest rates fall, the "Fair Value" of held securities will rise (unrealized Gains). The opposite occurs as market interest rates rise (market prices of held investments will fall). It should be noted that investments held in the city pool are to be held until maturity so both gains and losses (unrealized) will not be taken.

Investment Report for December 2017 reviewed by the Investment Advisory Committee*

Dana Cortez
City Treasuer Date: 4/10/18

William Yu
Deputy City Treasurer Date: 4/10/18

LeRoy J. Jackson
City Manager Date: 4/30/2018

Eric E. Tsao
Finance Director Date: 4/30/18

Patrick Q. Sullivan
City Attorney Date: 4/30/2018

*** The header above signature block was updated to "Investment Report for December 2017" from "Investment Report for November 2017", which was a scrivener's error.***

City of Torrance
Portfolio Management
Portfolio Details - Investments
December 31, 2017

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Local Agency Investment Funds												
SYS10000	10000	Local Agency Invest Fund GEN'L			13,000,000.00	13,000,000.00	13,000,000.00	1.239	LAIF	1.239	1	
		Subtotal and Average	**13,362,104.95**		**13,000,000.00**	**13,000,000.00**	**13,000,000.00**			**1.239**	**1**	
Money Market Sweep Account												
316175108S	10001	Union Bank			2,763,219.45	2,763,219.45	2,763,219.45	0.980	A-1	0.980	1	
		Subtotal and Average	**2,443,322.63**		**2,763,219.45**	**2,763,219.45**	**2,763,219.45**			**0.980**	**1**	
Federal Agency Issues - Coupon												
31315PNZ8	11086	FARMER MAC		01/30/2013	2,000,000.00	1,999,940.00	2,000,019.33	1.050	NR/IMP	1.038	29	01/30/2018
31315PXM6	11097	FARMER MAC		05/02/2013	2,000,000.00	1,996,700.00	1,999,932.78	0.850	NR/IMP	0.860	121	05/02/2018
3132X0AL5	11170	FARMER MAC		06/01/2015	1,000,000.00	998,790.00	1,000,000.00	1.100	NR/IMP	1.100	151	06/01/2018
3132X0BG5	11181	FARMER MAC		07/15/2015	1,000,000.00	994,590.00	1,000,000.00	1.750	NR/IMP	1.750	896	06/15/2020
3132X0GV7	11214	FARMER MAC		06/07/2016	2,000,000.00	1,981,060.00	2,000,000.00	1.110	NR/IMP	1.110	522	06/07/2019
3132X0JT9	11227	FARMER MAC		09/20/2016	1,000,000.00	981,490.00	1,000,000.00	1.160	NR/IMP	1.160	627	09/20/2019
3132X0MT5	11235	FARMER MAC		12/29/2016	3,000,000.00	2,988,330.00	3,000,000.00	2.000	NR/IMP	2.000	1,110	01/15/2021
3132X0NK3	11239	FARMER MAC		02/10/2017	2,300,000.00	2,285,510.00	2,300,000.00	1.400	NR/IMP	1.400	568	07/23/2019
3132X0SA0	11247	FARMER MAC		04/19/2017	2,000,000.00	1,979,960.00	1,999,601.56	1.640	NR/IMP	1.649	837	04/17/2020
3132X0SY8	11248	FARMER MAC		05/18/2017	2,075,000.00	2,053,316.25	2,075,000.00	1.750	NR/IMP	1.750	868	05/18/2020
3132X0UC3	11256	FARMER MAC		07/28/2017	3,000,000.00	2,967,480.00	2,999,597.73	1.650	NR/IMP	1.659	910	06/29/2020
3133ECE26	11087	FEDERAL FARM CREDIT BANK		01/30/2013	1,000,000.00	999,710.00	1,000,000.00	0.940	AA+	1.022	29	01/30/2018
3133ED4Q2	11114	FEDERAL FARM CREDIT BANK		10/11/2013	1,000,000.00	999,690.00	1,000,000.00	1.480	AA+	1.480	161	06/11/2018
3133EDGW6	11128	FEDERAL FARM CREDIT BANK		03/11/2014	3,000,000.00	2,996,400.00	2,999,617.25	1.300	AA+	1.330	161	06/11/2018
3133EFX36	11206	FEDERAL FARM CREDIT BANK		04/05/2016	1,000,000.00	967,540.00	1,000,000.00	1.680	AA+	1.680	1,190	04/05/2021
3133EH3Y7	11280	FEDERAL FARM CREDIT BANK		12/22/2017	1,000,000.00	997,280.00	998,050.56	2.230	AA+	2.283	1,450	12/21/2021
3133EGQM0	11281	FEDERAL FARM CREDIT BANK		12/22/2017	1,000,000.00	974,060.00	978,135.63	1.620	AA+	2.306	1,501	02/10/2022
313383AA9	11105	FEDERAL HOME LOAN BANK		06/12/2013	4,000,000.00	3,989,560.00	4,000,000.00	1.000	AA+	1.000	162	06/12/2018
313381GD1	11122	FEDERAL HOME LOAN BANK		02/20/2014	2,000,000.00	1,996,660.00	1,999,035.83	1.250	AA+	1.356	170	06/20/2018
313380CP0	11161	FEDERAL HOME LOAN BANK		05/22/2015	1,000,000.00	991,240.00	997,503.34	1.240	AA+	1.420	522	06/07/2019
313383HU8	11172	FEDERAL HOME LOAN BANK		06/12/2015	2,000,000.00	1,986,460.00	1,998,825.33	1.750	AA+	1.775	893	06/12/2020
313379EE5	11189	FEDERAL HOME LOAN BANK		09/14/2015	2,000,000.00	1,992,040.00	2,007,174.79	1.625	AA+	1.371	529	06/14/2019
3130A8BD4	11209	FEDERAL HOME LOAN BANK		05/27/2016	1,000,000.00	996,300.00	999,429.55	0.875	AA+	0.992	179	06/29/2018
3130A8QS5	11221	FEDERAL HOME LOAN BANK		08/25/2016	2,000,000.00	1,933,560.00	1,992,127.52	1.125	AA+	1.240	1,290	07/14/2021
3130A8QS5	11230	FEDERAL HOME LOAN BANK		09/30/2016	1,000,000.00	966,780.00	996,396.61	1.125	AA+	1.230	1,290	07/14/2021
3130AABG2	11234	FEDERAL HOME LOAN BANK		12/16/2016	1,000,000.00	991,650.00	988,936.58	1.875	AA+	2.175	1,428	11/29/2021
313378CR0	11246	FEDERAL HOME LOAN BANK		03/29/2017	2,000,000.00	2,002,980.00	2,000,000.00	2.250	AA+	2.010	1,530	03/11/2022
3130ABMB9	11255	FEDERAL HOME LOAN BANK		07/13/2017	1,000,000.00	981,470.00	998,550.50	2.050	AA+	2.084	1,640	06/29/2022

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Federal Agency Issues - Coupon												
3130AC6F6	11263	FEDERAL HOME LOAN BANK		08/24/2017	1,000,000.00	979,270.00	1,000,000.00	2.000	AA+	2.000	1,696	08/24/2022
3130ACBK9	11264	FEDERAL HOME LOAN BANK		08/30/2017	1,000,000.00	987,830.00	1,000,000.00	1.750	AA+	2.326	1,695	08/23/2022
3130ACKG8	11270	FEDERAL HOME LOAN BANK		10/24/2017	1,000,000.00	989,370.00	1,000,000.00	2.200	AA+	2.200	1,757	10/24/2022
3130ACKK9	11271	FEDERAL HOME LOAN BANK		10/25/2017	2,000,000.00	1,982,900.00	2,000,000.00	2.000	AA+	2.000	1,575	04/25/2022
3130ACTS3	11272	FEDERAL HOME LOAN BANK		11/29/2017	2,000,000.00	1,993,700.00	2,000,000.00	2.000	AA+	2.323	1,604	05/24/2022
3134G3XJ4	11155	FEDERAL HOME LOAN MORTGAGE CO		04/29/2015	1,000,000.00	994,490.00	1,003,030.65	1.500	AA+	1.290	542	06/27/2019
3134G3XJ4	11190	FEDERAL HOME LOAN MORTGAGE CO		09/25/2015	1,000,000.00	994,490.00	1,003,433.37	1.500	AA+	1.263	542	06/27/2019
3137EADZ9	11204	FEDERAL HOME LOAN MORTGAGE CO		03/21/2016	1,000,000.00	990,850.00	999,861.30	1.125	AA+	1.136	469	04/15/2019
3134G9AY3	11207	FEDERAL HOME LOAN MORTGAGE CO		04/28/2016	1,000,000.00	985,260.00	1,000,000.00	1.350	AA+	1.376	848	04/28/2020
3134G9SA6	11215	FEDERAL HOME LOAN MORTGAGE CO		06/23/2016	1,000,000.00	987,570.00	1,000,000.00	1.500	AA+	1.500	904	06/23/2020
3134G46P8	11238	FEDERAL HOME LOAN MORTGAGE CO		02/09/2017	1,000,000.00	992,670.00	1,000,562.00	1.350	AA+	1.310	526	06/11/2019
3134GBTH5	11250	FEDERAL HOME LOAN MORTGAGE CO		06/29/2017	1,000,000.00	990,070.00	1,000,000.00	2.000	AA+	2.000	1,458	12/29/2021
3134GBWJ7	11252	FEDERAL HOME LOAN MORTGAGE CO		07/03/2017	3,000,000.00	2,986,590.00	3,000,000.00	1.750	AA+	2.226	1,640	06/29/2022
3134GBF49	11266	FEDERAL HOME LOAN MORTGAGE CO		09/28/2017	1,000,000.00	986,830.00	1,000,000.00	2.070	AA+	2.070	1,731	09/28/2022
3134GB5W8	11274	FEDERAL HOME LOAN MORTGAGE CO		12/28/2017	1,000,000.00	998,050.00	1,000,000.00	2.050	AA+	2.050	1,274	06/28/2021
3134GB6Y3	11279	FEDERAL HOME LOAN MORTGAGE CO		12/28/2017	2,260,000.00	2,252,587.20	2,260,000.00	2.450	AA+	2.450	1,822	12/28/2022
3135G0WJ8	11117	FEDERAL NATIONAL MORT ASSOC		01/14/2014	1,000,000.00	997,380.00	997,355.46	0.875	AA+	1.581	140	05/21/2018
3135G0WJ8	11120	FEDERAL NATIONAL MORT ASSOC		01/31/2014	2,000,000.00	1,994,760.00	1,995,897.55	0.875	AA+	1.421	140	05/21/2018
3135G0WJ8	11125	FEDERAL NATIONAL MORT ASSOC		03/03/2014	2,000,000.00	1,994,760.00	1,996,642.95	0.875	AA+	1.320	140	05/21/2018
3135G0YT4	11133	FEDERAL NATIONAL MORT ASSOC		04/23/2014	1,000,000.00	998,420.00	999,390.97	1.625	AA+	1.695	330	11/27/2018
3136G3N92	11220	FEDERAL NATIONAL MORT ASSOC		07/29/2016	2,525,000.00	2,447,608.75	2,525,000.00	1.350	AA+	1.350	1,303	07/27/2021
3136G04T5	11222	FEDERAL NATIONAL MORT ASSOC		08/25/2016	1,000,000.00	988,130.00	1,000,000.00	1.500	AA+	1.055	864	05/14/2020
3135G0K69	11223	FEDERAL NATIONAL MORT ASSOC		08/25/2016	2,000,000.00	1,945,300.00	2,000,000.00	1.250	AA+	1.230	1,221	05/06/2021
3136G4LX9	11240	FEDERAL NATIONAL MORT ASSOC		02/28/2017	2,000,000.00	1,982,780.00	2,000,000.00	2.125	AA+	2.125	1,519	02/28/2022
		Subtotal and Average	**80,542,095.33**		**83,160,000.00**	**82,432,212.20**	**83,109,109.14**			**1.595**	**874**	
Treasury Securities - Coupon												
912828WD8	11137	U.S.TREASURY NOTE		04/29/2014	2,000,000.00	1,992,040.00	1,994,822.68	1.250	AA+	1.575	303	10/31/2018
912828VK3	11143	U.S.TREASURY NOTE		05/09/2014	3,000,000.00	2,998,140.00	3,000,836.50	1.375	AA+	1.317	180	06/30/2018
912828S27	11233	U.S.TREASURY NOTE		12/15/2016	2,000,000.00	1,936,880.00	1,946,368.37	1.125	AA+	1.930	1,276	06/30/2021
912828S27	11237	U.S.TREASURY NOTE		02/09/2017	2,000,000.00	1,936,880.00	1,958,121.30	1.125	AA+	1.750	1,276	06/30/2021
912828XW5	11273	U.S.TREASURY NOTE		11/29/2017	1,000,000.00	981,910.00	989,124.94	1.750	AA+	2.004	1,641	06/30/2022
		Subtotal and Average	**9,887,865.01**		**10,000,000.00**	**9,845,850.00**	**9,889,273.79**			**1.644**	**784**	

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Medium Term Notes												
037833AJ9	11193	Apple Inc		09/30/2015	2,500,000.00	2,493,825.00	2,498,666.24	1.000	AA+	1.160	122	05/03/2018
037833AX8	11198	Apple Inc		10/30/2015	2,000,000.00	1,978,060.00	1,998,376.84	1.550	AA+	1.590	767	02/07/2020
166764AN0	11156	Chevron Corp		04/28/2015	1,000,000.00	1,002,130.00	1,011,240.20	2.193	AA	1.569	683	11/15/2019
166764AG5	11182	Chevron Corp		07/31/2015	2,000,000.00	2,009,780.00	2,014,148.62	2.427	AA	2.120	905	06/24/2020
19416QED8	11116	Colgate Palmolive Co		11/01/2013	2,000,000.00	1,994,320.00	1,999,210.00	1.500	AA-	1.549	304	11/01/2018
459200HM6	11183	IBM		08/18/2015	2,000,000.00	1,975,480.00	1,980,888.81	1.625	AA-	2.050	865	05/15/2020
594918BG8	11199	MicroSoft Corp		11/05/2015	2,000,000.00	1,992,220.00	2,000,000.00	2.000	AAA	1.944	1,037	11/03/2020
594918BP8	11265	MicroSoft Corp		08/28/2017	2,000,000.00	1,947,340.00	1,975,804.56	1.550	AAA	1.900	1,315	08/08/2021
89114QBC1	11201	Toronto Dominion Bank		12/14/2015	1,000,000.00	1,003,200.00	1,000,000.00	2.500	AA-	2.473	1,078	12/14/2020
89236TAY1	11131	Toyota Motor Credit Corp		04/11/2014	1,500,000.00	1,501,875.00	1,501,746.70	2.000	AA-	1.850	296	10/24/2018
		Subtotal and Average	**17,979,833.40**		**18,000,000.00**	**17,898,230.00**	**17,980,081.97**			**1.779**	**716**	
Negotiable CD												
319141GV3	11254	First Bank of Highland		07/19/2017	245,000.00	242,322.15	245,000.00	2.150	FDIC	2.150	1,660	07/19/2022
33767A4N8	11262	First Bank of Puerto Rico		08/25/2017	245,000.00	242,530.40	245,000.00	2.200	FDIC	2.201	1,697	08/25/2022
31938QP24	11186	First Business Bank		09/16/2015	161,000.00	160,365.66	161,000.00	1.700	FDIC	1.701	623	09/16/2019
32056GCS7	11277	First Internet Bank of Indiana		12/18/2017	245,000.00	243,209.05	245,000.00	2.350	FDIC	2.350	1,813	12/19/2022
33583FAC6	11275	First Northeast Bk of Nebraska		12/15/2017	245,000.00	242,101.65	245,000.00	2.250	FDIC	2.251	1,809	12/15/2022
32110YFW0	11163	First National Bank of America		05/29/2015	245,000.00	242,202.10	245,000.00	1.600	FDIC	1.600	879	05/29/2020
32112UBX8	11192	First National Bank of Texas		09/30/2015	247,000.00	245,752.65	247,000.00	1.400	FDIC	1.402	455	04/01/2019
33715LAV2	11268	First Tech Credit Union		10/16/2017	245,000.00	242,623.50	245,000.00	2.250	FDIC	2.252	1,750	10/17/2022
88413QBG2	11168	Third Federal Savings and Loan		05/28/2015	245,000.00	244,470.80	245,000.00	1.300	FDIC	1.303	331	11/28/2018
02587CFU9	11261	American Express		08/29/2017	245,000.00	243,755.40	245,000.00	2.400	FDIC	2.401	1,701	08/29/2022
02587DV47	11257	American Express Cent #27471		08/08/2017	245,000.00	243,238.45	245,000.00	2.350	FDIC	2.351	1,680	08/08/2022
06610TDN2	11226	Bankers Bank of the West		09/14/2016	245,000.00	241,533.25	245,000.00	1.150	FDIC	1.150	620	09/13/2019
08173QBX3	11269	Beneficial Bank		10/18/2017	245,000.00	241,518.55	245,000.00	2.150	FDIC	2.151	1,751	10/18/2022
06251AK58	11196	Bank Hapoalim BM NY		10/29/2015	245,000.00	243,605.95	245,000.00	1.650	FDIC	1.651	666	10/29/2019
05580ACP7	11184	BMW Bank of No America #35141		08/14/2015	245,000.00	246,117.20	245,000.00	2.250	FDIC	2.253	956	08/14/2020
060624XH1	11091	Bank of Baroda #33681		03/08/2013	245,000.00	245,036.75	245,000.00	1.250	FDIC	1.251	66	03/08/2018
108622FT3	11251	Bridgewater Bank		06/29/2017	245,000.00	240,913.40	245,000.00	2.000	FDIC	2.002	1,640	06/29/2022
12325EHV7	11258	Business Bank		07/20/2017	245,000.00	241,253.95	245,000.00	2.050	FDIC	2.051	1,660	07/19/2022
14042RHM6	11259	Capital One#4297		08/23/2017	245,000.00	244,162.10	245,000.00	2.350	FDIC	2.351	1,695	08/23/2022
140420TE0	11176	Capital One Bank USA #33954		07/08/2015	247,000.00	248,491.88	247,000.00	2.350	FDIC	2.353	919	07/08/2020
149159HR9	11094	Cathay Bank #18503		04/12/2013	245,000.00	244,710.90	245,000.00	1.000	FDIC	1.001	101	04/12/2018
15118RLC9	11213	CELTIC BANK		06/15/2016	245,000.00	242,621.05	245,000.00	1.200	FDIC	1.200	529	06/14/2019
17284CBZ6	11093	CIT Bank		04/17/2013	245,000.00	244,801.55	245,000.00	1.150	FDIC	1.151	106	04/17/2018

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Negotiable CD												
20033ASX5	11231	Comenity Capital Bank		10/31/2016	245,000.00	237,794.55	245,000.00	1.750	FDIC	1.751	1,397	10/29/2021
20451PLA2	11164	COMPASS BANK		05/29/2015	245,000.00	244,816.25	245,000.00	1.300	FDIC	1.301	148	05/29/2018
20786ABD6	11165	CONNECTONE BANK		06/05/2015	245,000.00	244,250.30	245,000.00	1.500	FDIC	1.501	520	06/05/2019
225645CZ1	11126	Crescent Bank & Trust		03/05/2014	245,000.00	245,325.85	245,000.00	1.500	FDIC	1.500	239	08/28/2018
061785DD0	11211	Bank of Deerfield		06/07/2016	245,000.00	240,864.40	245,000.00	1.300	FDIC	1.301	827	04/07/2020
254672NC8	11160	Discover Bank #5649		05/06/2015	245,000.00	244,024.90	245,000.00	1.900	FDIC	1.902	856	05/06/2020
29976DZD5	11177	EverBank #34775		07/14/2015	245,000.00	244,358.10	245,000.00	2.000	FDIC	2.002	925	07/14/2020
307811BR9	11278	Farmers and Merchants BK of WI		12/21/2017	245,000.00	242,047.75	245,000.00	2.250	FDIC	2.252	1,815	12/21/2022
308862DD0	11134	Farmers & Merchants Bk #16810		04/25/2014	245,000.00	244,747.65	245,000.00	1.450	FDIC	1.452	267	09/25/2018
38148JSU6	11159	Goldman Sachs Bank #33124		05/06/2015	245,000.00	244,024.90	245,000.00	1.900	FDIC	1.902	856	05/06/2020
383052DH7	11191	Gorham Bank		10/14/2015	247,000.00	247,232.18	247,000.00	1.350	FDIC	1.350	469	04/15/2019
40434AP45	11202	Household Finance Co		03/10/2016	245,000.00	244,630.05	245,000.00	1.300	FDIC	2.007	1,164	03/10/2021
40434YGK7	11242	Household Finance Co		03/24/2017	245,000.00	246,242.15	245,000.00	2.450	FDIC	2.451	1,540	03/21/2022
45083AEJ7	11154	Iberia Bank		04/16/2015	245,000.00	244,767.25	245,000.00	1.100	FDIC	1.101	105	04/16/2018
465076JJ7	11208	ISREAL DISCOUNT BK of NY		05/04/2016	245,000.00	243,517.75	245,000.00	1.200	FDIC	1.190	490	05/06/2019
464209CJ2	11225	ISABELLa BANK		09/07/2016	245,000.00	241,572.45	245,000.00	1.150	FDIC	1.149	616	09/09/2019
485836FB1	11129	Katahdin Trust Co CD		03/28/2014	245,000.00	245,000.00	245,000.00	1.250	FDIC	1.054	451	03/28/2019
499724AA0	11276	Knoxville TVA Credit Union		12/07/2017	245,000.00	242,743.55	245,000.00	2.300	FDIC	2.303	1,801	12/07/2022
51507LBD5	11232	Landmark Community Bank		11/10/2016	245,000.00	237,782.30	245,000.00	1.600	FDIC	1.601	1,409	11/10/2021
538036CP7	11243	Live Oak Banking Company		04/08/2017	245,000.00	244,164.55	245,000.00	2.100	FDIC	2.102	1,192	04/07/2021
549103YK9	11224	Luana Savings Bank		09/09/2016	245,000.00	238,122.85	245,000.00	1.350	FDIC	1.351	1,347	09/09/2021
564759QS0	11162	Manufacturers & Traders Trust		05/27/2015	245,000.00	244,755.00	245,000.00	1.050	FDIC	1.051	148	05/29/2018
62384RAB2	11267	MOUTAIN AMERICA CREDIT UNION		10/12/2017	245,000.00	243,218.85	245,000.00	2.300	FDIC	2.303	1,745	10/12/2022
55266CRZ1	11212	MB Financial Bank		06/10/2016	245,000.00	240,788.45	245,000.00	1.350	FDIC	1.351	891	06/10/2020
58733ADJ5	11229	mercantil Commercebank Nationa		09/28/2016	245,000.00	238,032.20	245,000.00	1.650	FDIC	1.651	1,366	09/28/2021
59013JJE0	11187	Merrick Bank		09/21/2015	245,000.00	245,389.55	245,000.00	1.600	FDIC	1.601	627	09/20/2019
55406JAK8	11185	M Y SAFRA Bank		09/11/2015	245,000.00	245,668.85	244,888.82	1.600	FDIC	1.630	592	08/16/2019
67054NAK9	11249	Numerica Credit Union		06/21/2017	245,000.00	244,108.20	245,000.00	2.300	FDIC	2.301	1,632	06/21/2022
63970QFD3	11188	Nebraskaland National Bank		09/25/2015	245,000.00	245,416.50	245,000.00	1.500	FDIC	1.501	632	09/25/2019
71270QLZ7	11153	Peoples United Bank		02/04/2015	245,000.00	245,754.60	245,000.00	1.750	FDIC	1.751	764	02/04/2020
700654AY2	11245	The Park National Bank		03/30/2017	245,000.00	243,738.25	245,000.00	1.950	FDIC	1.952	1,003	09/30/2020
74160NFN5	11253	Prime Alliance Bank		07/05/2017	245,000.00	240,906.05	245,000.00	2.000	FDIC	2.001	1,641	06/30/2022
74267GVT1	11244	Private Bank & Trust Co #33306		03/30/2017	245,000.00	243,706.40	245,000.00	2.200	FDIC	2.201	1,549	03/30/2022
795450D36	11260	Sallie Mae Bank		08/23/2017	245,000.00	244,162.10	245,000.00	2.350	FDIC	2.351	1,695	08/23/2022
8562846V1	11241	STATE BANK of INDIA		03/14/2017	245,000.00	245,289.10	245,000.00	2.350	FDIC	2.351	1,533	03/14/2022
87164YGD0	11157	Synchrony Bank Retail		04/28/2015	245,000.00	244,654.55	245,000.00	1.900	FDIC	1.902	833	04/13/2020

City of Torrance
Portfolio Management
Portfolio Details - Investments
December 31, 2017

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM	Days to Maturity	Maturity Date
Negotiable CD												
9497485K9	11210	Wells Fargo Bank		06/01/2016	245,000.00	242,670.05	245,000.00	1.250	FDIC	1.250	518	06/03/2019
949763BH8	11228	Wells Fargo Bank		09/28/2016	245,000.00	236,824.35	245,000.00	1.700	FDIC	1.701	1,366	09/28/2021
981571BP6	11180	WORLD FOREMOST BANK		07/16/2015	200,000.00	200,460.00	200,000.00	2.400	FDIC	2.403	927	07/16/2020
		Subtotal and Average	**14,703,337.62**		**15,067,000.00**	**14,960,911.12**	**15,066,888.82**			**1.778**	**1,018**	
		Total and Average	**138,918,558.94**		**141,990,219.45**	**140,900,422.77**	**141,808,573.17**			**1.596**	**766**	

CITY OF TORRANCE
FISCAL AGENT FOR SUCCESSOR RDA
RESTRICTED
CASH BALANCE REPORT
December 31, 2017

		Book Value
Bank of America		
City of Torrance		
Successor RDA Agency		
Account # xx-046		284.67
Local Agency Investment Fund (L.A.I.F.)		
City of Torrance		
Successor RDA Agency		
Account# -xx-072		9,884.79
TOTAL	**$**	**10,169.46**

Deferred Compensation Plans
Quarter Ending December 31, 2017

457 PLAN A *Permanent Employees*

Beginning Balance	Contributions	Transfers In	Interest	Gain/Loss	Fees	Withdrawals	Transfers Out	Outstanding Loans	Ending Balance
185,504,473.26	2,570,135.40	6,477,192.43	3,197,941.15	2,764,837.27	(12,724.65)	(2,736,894.43)	(6,477,192.43)	4,333,434.51	195,621,202.51
*** 457 Plan Revenue Sharing**									
94,372.06		-	453.94		(1,801.68)		-		93,024.32
								Plan A - Total	**195,714,226.83**

Investment Type	Market Value	
Variable Funds	115,195,647.27	
Stable Value Fund	67,394,932.31	
Self-Direct	8,697,188.42	
Forefeiture Acct	93,024.32	
Outstanding Loans	4,333,434.51	*Outstanding Loan Balance included in Total Assets*
Total:	**195,714,226.83**	

457 PLAN B *Recurrent/ Part-Time/ Temporary Employees*

Beginning Balance	Contributions	Transfers In	Interest	Gain/Loss	Fees	Withdrawals	Transfers Out	Outstanding Loans	Ending Balance
3,083,283.29	83,063.47	13,053.84	21,545.15	2,679.86	(5,381.25)	(42,581.09)	(13,053.84)	-	**3,142,609.43**

Investment Type	Market Value
Variable Funds	244,769.82
Stable Value Fund	2,897,839.61
Total:	3,142,609.43

401 (A) *Management/ Police /Fire /Engineers*

Beginning Balance	Contributions	Transfers In	Interest	Gain/Loss	Fees	Withdrawals	Transfers Out	Outstanding Loans	Ending Balance
13,402,399.90	445,055.83	499,667.06	236,316.44	205,283.85	(1,307.93)	(118,400.33)	(499,667.06)	253,304.13	14,422,651.89

Investment Type	Market Value	
Variable Funds	9,445,747.82	
Stable Value Fund	4,531,865.13	
Self-direct fund	191,734.81	
Forefeiture Acct	-	
Outstanding Loans	253,304.13	*Outstanding Loan Balance included in Total Assets*
Total:	14,422,651.89	

RETIREMENT HEALTH SAVINGS PLAN *Management/ Police/ Fire/ Misc.*

Beginning Balance	Contributions	Distributions	Gain/Loss	Fees	Ending Balance
4,095,380.35	88,234.09	(170,274.66)	126,164.72	(781.25)	4,138,723.25

Investment Type	Market Value
Stable Value/Cash Mmgt Fund	333,600.00
Bond Funds	104,641.71
Balanced/Assest Alloc Funds	2,514,061.46
U.S. Stock Funds	1,150,676.06
Intern'l/Global Stock Funds	35,744.02
Total:	**4,138,723.25**

***Public Agency Retirement Services (PARS)** *Retirement Enhancement Plan*

Beginning Balance	Contributions	Transfer In	Gain/Loss	Fees	Distribution	Transfer Out	Outstanding Loans	Ending Balance
14,700,485.96	-	-	476,665.78	(9,370.89)	(255,889.59)	-	-	14,911,891.26

***Public Agency Retirement Services (PARS)** *Excess Benefit Plan*

Beginning Balance	Contributions	Transfer In		Gain/Loss	Fees	Distributions	Transfer Out	Outstanding Loans	Ending Balance
4,957.15	16,350.00	-	-	15.07	(5.93)	(9,224.68)	-	-	12,091.61

PARS accounts only reflect balance as of November 30, 2017.

Cash Investments Held by Fiscal Agent
Quarter Ending Dec. 31, 2017

Torrance Improvements

	Book Value	Reserve Requirement (1)	Over/Under Funded Reserve(1)-(2) (Market Value)	Market Value (2)	Yield	Investment Description	Credit Rating
Bank of New York Mellon							
City of Torrance COP REF 2009 Escrow 2016							
					0.00%	Cash Balance	
					0.72%	US Treasury NOTE Maturity 03/01/18 CUSIP: MM001064J	
					0.82%	US Treasury NOTE Maturity 09/01/18 CUSIP: MM0010650	
					0.90%	US Treasury NOTE Maturity 03/01/19 CUSIP: MM0010671	
Escrow Acct #182138	17,501,844.65	0.00	17,501,844.65	17,501,844.65	0.97%	US Treasury NOTE Maturity 09/01/19 CUSIP: MM0010673	
REF COP 2009 Total:	**17,501,844.65**	**0.00**	**17,501,844.65**	**17,501,844.65**			
Bank of New York Mellon							
City of Torrance COP Series 2014							
					0.00%	Cash Balance	
Lease Payment Fund Acct #528184	0.00	0.00	0.00	0.00	2.61%	Blackrock Liquidity TEMP Fund# 24 CUSIP: X9USDBLAK	
					1.01%	Federal National Mort Assoc Mat 10/24/19 CUSIP: 3135G0R39	AA+
					1.87%	Federal Home Loan Banks Mat 12/11/20 CUSIP: 3130A3UQ5	AA+
					3.93%	Private Export Funding Corp Mat 12/15/21 CUSIP: 742651DJ8	NR
					2.44%	Blackrock Liquidity TEMP Fund# 24 CUSIP: X9USDBLAK	
Reserve Fund Acct #528185	2,439,782.95	2,478,043.76	(38,260.81)	2,439,782.95	0.00%	Cash Balance	
COP 2014 Total:	**2,439,782.95**	**2,478,043.76**	**(38,260.81)**	**2,439,782.95**			
Bank of New York Mellon							
Torrance REF COP 2016 Lease PMT FD							
Lease Payment Fund Acct #182133	378.11	0.00	378.11	378.11	1.51%	Morgan Stanley Treas Sec Portfolio CUSIP: X9USDMORS	
Torrance REF COP 2016 Project Fund							
Project Fund Acct #361715	5,244,124.50	0.00	5,244,124.50	5,244,124.50	1.51%	Morgan Stanley Treas Sec CUSIP: X9USDMORS	
COP 2016 Total:	**5,244,502.61**	**0.00**	**5,244,502.61**	**5,244,502.61**			

Redevelopment Successor Agency

	Book Value	Reserve Requirement (1)	Over/Under Funded Reserve(1)-(2) (Market Value)	Market Value (2)	Yield	Investment Description	Credit Rating
Bank of New York Mellon							
Torrance RDA (Downtown) 98A (matures Sept. 1, 2028)							
Interest Acct # 428478	17.14	0.00	17.14	17.14	1.28%	Fidelity Invst M Mkt Trsy 696 CUSIP: X9USD0002	
					1.01%	Federal National Mort Assoc Mat 10/24/19 CUSIP: 3135G0R39	AA+
					1.87%	Federal Home Loan Banks Mat 12/11/2020 CUSIP: 3130A3UQ5	AA+
					3.93%	Private Export Funding Corp Mat 12/15/2021 CUSIP: 742651DJ8	NR
					0.00%	Cash Balance	
Reserve Acct # 428469	581,531.44	586,890.00	(5,358.56)	581,531.44	1.56%	INVESCO Prime Private 1921 CUSIP: X9USDINPE	
RDA (Downtown) 98A Total:	**581,548.58**	**586,890.00**	**(5,341.42)**	**581,548.58**			

Cash Investments Held by Fiscal Agent
Quarter Ending Dec. 31, 2017

Torrance RDA (Ind Dev) 98B							
Interest Acct # 428529	19.17	0.00	19.17	19.17	1.25%	Fidelity Treasury M MKT #696 CUSIP: X9USD0002	
					1.01%	Federal National Mortgage Assoc Mat 10/24/19 CUSIP: 3135G0R39	AA+
					1.51%	Federal National Mortgage Assoc Mat 10/22/20 CUSIP: 3136G0R60	AA+
					1.87%	Federal Home Loan Banks Mat 11/29/21 CUSIP: 3130AABG2	AA+
					1.56%	INVESCO Prime Private 1921 CUSIP: X9USDINPE	
Reserve Acct # 428517 (GIC Agreement)	1,029,934.82	1,037,984.75	(8,049.93)	1,029,934.82	0.00%	Cash Balance	
RDA (Ind Rev) 98B Total:	**1,029,953.99**	**1,037,984.75**	**(8,030.76)**	**1,029,953.99**			
Torrance RDA (Industrial) 99C (matures Sept. 1, 2028)							
Interest Acct # 428877	37.54	0.00	37.54	37.54	1.28%	Fidelity Treasury M Mkt #696 CUSIP: X9USD0002	
					1.21%	Federal Farm Credit Banks Mat 02/13/2019 CUSIP: 3133EG6Z3	AA+
					1.51%	Federal National Mortgage Assoc Mat 10/22/20 CUSIP: 3136G0R60	AA+
					3.93%	Private Export Funding Corp Mat 12/15/2021 CUSIP: 742651DJ8	NR
					0.00%	MBIA FINL Guaranty Ins Policy No.29278 CUSIP: S86460550	
Reserve Acct # 428882	1,288,918.76	1,300,480.00	(11,561.24)	1,288,918.76	1.28%	Fidelity Invst M Mkt Trsy CUSIP: X9USD0002	
RDA (Industrial) 99C Total:	**1,288,956.30**	**1,300,480.00**	**(11,523.70)**	**1,288,956.30**			

	Book Value	Reserve Requirement	Over/Under ( ) Funded Reserve(1)-(2) (Market Value)	Market Value
TOTAL ALL CASH & INVESTMENTS HELD BY FISCAL AGENT:	**$ 28,086,589.08**	**$ 5,403,398.51**	**$ 22,683,190.57**	**$ 28,086,589.08**

(1) Reserve requirements may be overfunded due to an accumulation of funds which are adjusted at every scheduled payout.
These funds will be transferred to the lease payment/principal/interest account when interest/principal payouts are made by the City.

(2) Over/under funded reserve requirements is for memorandum purposes only. Reserve requirements as outlined in the bond indenture require that at time (day of) of semi-annual payments to bondholders that the market value of the investments held in reserve is equal to the reserve requirement. Due to market fluctuations throughout the year it is normal to see both over and under funded situations.

CITY OF TORRANCE
INTEROFFICE COMMUNICATION

DATE: 1/18/18

TO: Dana Cortez, City Treasurer

FROM: Joyce Reyes, Accounting Manager

SUBJECT: Cash & Investments Report for December 2018

CASH AND INVESTMENTS RECONCILIATION
AS OF DECEMBER 31, 2017 (PRE-CLOSE)

INVESTMENTS PER PORTFOLIO SUMMARY		$ 141,808,573.17
Cash in Bank of America General Account	$ 6,703,020.22	
Cash in Bank of America Housing Account	3,661,383.02	
		10,364,403.24
TOTAL FUNDS PER INVESTMENT REPORT		**$ 152,172,976.41**
OUTSTANDING WARRANTS:		
General Account	$ (1,082,364.07)	
Payroll Account	(126,188.91)	
Workers' Compensation Account	(257,901.84)	
Housing Account	(2,766.30)	
		(1,469,221.12)
DEPOSITS IN TRANSIT:		
December 2017 Deposits in transit	6,655.56	
December 2017 Global Water cash collection	505,673.67	
Bank to reverse check # 3411	(108.73)	
Check # 03160982 reversed by Bank on 01/02/18	(2,880.00)	
		509,340.50
MISCELLANEOUS OUTSTANDING ADJUSTMENTS:		
08/10/17 In Daily Banking and Booking Activity - pending adjustment	245,000.00	
11/15/17 Pre-encoded Deposit not interfaced/posted	(328.00)	
12/08/17 - CALPERS over-payment (duplicate wire-transfer)	1,279,736.56	
12/21/17 - Wire to LAIF not interfaced/posted	11,000,000.00	
12/22/17 - Wire to Union Bank for purchase of Investment not interfaced/posted	1,977,091.94	
12/28/17 - Wire to Union Bank for purchase of Investment not interfaced/posted	3,260,000.00	
Torrance Permit - E-checks not interfaced/posted	(2,847.00)	
10/30/17 Union Bank Investment No. 11256 - transaction pending adjustment	(245,000.00)	
12/12/17 Union Bank Investment No. 11238 - interest not interfaced/posted	(6,750.00)	
12/21/17 LAIF Deposit (1556757) - wire from Bank of America not interfaced/posted - outstanding as of 01/18/18	(11,000,000.00)	
12/22/17 Union Bank Investment No. 11280 - wire from Bank of America not interfaced/posted - outstanding as of 01/18/18	(998,061.94)	
12/22/17 Union Bank Investment No. 11281 - wire from Bank of America not interfaced/posted - outstanding as of 01/18/18	(979,030.00)	
12/22/17 Union Bank Investment No. 11281 - interest Interface error (posted to investment instead of interest income)	5,940.00	
12/28/17 Union Bank Investment No. 11274 - wire from Bank of America not interfaced/posted - outstanding as of 01/18/18	(1,000,000.00)	
12/28/17 Union Bank Investment No. 11279 - wire from Bank of America not interfaced/posted - outstanding as of 01/18/18	(2,260,000.00)	
12/28/17 Union Bank Investment No. 11192 - interest interfaced/posted but not in the Bank Investment Report	284.22	
12/28/17 Union Bank Investment No. 11245 - interest interfaced/posted but not in the Bank Investment Report	392.67	
12/28/17 Union Bank Investment No. 11143 - interest Interfaced/posted but not in the Bank Investment Report	20,625.00	
12/28/17 Union Bank Investment No. 11231 - interest interfaced/posted but not in the Bank Investment Report	364.14	
12/28/17 Union Bank Investment No. 11233 - interest interfaced/posted but not in the Bank Investment Report	11,250.00	
12/28/17 Union Bank Investment No. 11237 - interest interfaced/posted but not in the Bank Investment Report	11,250.00	
12/28/17 Union Bank Investment No. 11253 - interest interfaced/posted but not in the Bank Investment Report	416.16	
12/28/17 Union Bank Investment No. 11273 - interest interfaced/posted but not in the Bank Investment Report	8,750.00	
		1,329,083.75
TOTAL CASH AND INVESTMENTS PER BOOKS		**$ 152,642,179.64**

Notes to Investment Report

1. REPORTING ENTITY

City of Torrance was established May 31, 1921 and adopted a city charter form of government on January 7, 1947.

Under City Charter section 630 CITY TREASURER. It shall be the duty of the City Treasurer to receive and safely keep all moneys which shall come into his/her hands as City Treasurer. He/She shall comply with all provisions of law governing the deposit and securing of public funds. He/She shall also comply with all the provisions of the general laws of the State governing the handling of such trust funds as may come into his/her possession. He/She shall pay out moneys only on warrants signed by persons designated by law, or ordinance, as the proper persons to sign warrants and as to trust funds which may come into his/her possession or control by virtue of some law, ordinance or resolution, by warrant or other order, in accordance with the provisions of such law, ordinance or resolution. He/She shall at regular intervals, at least once each month, submit to the Director of Finance a written report and accounting of all receipts, disbursements and fund balances, a copy of which report he/she shall file with the City Council.

The City Treasurer may appoint a deputy, or deputies, from an eligible list to be prepared in accordance with the proceedings prescribed in the civil service system of the City, such deputy or deputies to receive such compensation as may be provided by the City Council. (Ratified Gen. Mun. Elec. 4/10/56, Amend. No. 8; Approved by State Legislature Concurrent Res. No. 3 on 1/9/57).

2. BASIS FOR REPORTING

This Investment Report has been prepared in accordance with the State of California Government Code §53600 and City of Torrance Investment Policy as noted in the City Charter. The City of Torrance Investment Policy is approved and adopted annually by City Council. The Investment Policy is annually submitted by the City Treasurer to the Investment Advisory Committee for review before being forwarded to the City Council. The investment Advisory Committee is made up of City Treasurer, City Manager, City Attorney, Finance Director, and Deputy City Treasurer.

3. ASSUMPTIONS

The Investment Report represents a specific snapshot in time and is compared to other market performers during that same period which includes but is not limited to: Constant Maturing Treasury 2-year term rates, Local Agency Investment Fund (State of California), and prior year performance. All investment activity calculations are results from SymPro portfolio management software v7.3.6.

Adjusted by Premiums/Discounts represent the premium/discount cost involved to secure higher or lower yield securities. The cost of the premium or discount is amortized down or up to par over the life of the bond until reaching maturity. By amortizing, the amount of taxable interest is reduced for each year the city owns the bond. This is because the amortized premium or discount offsets the ordinary income of the coupon payment.

There is no capital loss or gain to report if bonds are kept to maturity.

Notes to Investment Report

4. COMPLIANCE

The Investment Report is required to be submitted to City Council on a monthly basis. State of California statutes requires quarterly reporting. GASB 31 section requires market changes be booked annually but reported monthly as part of this report.SB 564 requires quarterly reporting to the legislative body.

5. LAIF RISK

LAIF statute §16429.3 Deposits; prohibited transfers and loans; impoundment or seizure:
Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

a. Transfer or loan pursuant to Section 16310, 16312, or16313.
b. Impoundment or seizure by any state official or state agency

LAIF statute §16429.4 Right of withdrawal:
The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

Additional information about LAIF may be found on the California State Treasurer Website:
http://www.treasurer.ca.gov/pmia-laif/answer/laifstatutes.asp

Glossary

ACCURUED INTEREST. Interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security. At the time of sale, the buyer pays the seller the bond's price plus "accrued interest," calculated by multiplying the coupon rate by the fraction of the coupon period that has elapsed since the last payment. (If a bondholder receives $40 in coupon payments per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller $10 as the latter's proportion of interest earned.)

AGENCIES. Also referred to as Federal Agencies or Fed Agencies and include such organizations or enterprises as the: Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Banks (FFCB), and Government National Mortgage Association (GNMA). See FEDERAL AGENCIES or the specific organization/enterprise in this glossary for additional information.

AMORTIZATION. The spreading out of capital expenses for intangible assets over a specific period of time (usually over the asset's useful life) for accounting and tax purposes. Amortization is similar to depreciation, which is used for tangible assets, and to depletion, which is used with natural resources.

ASKED. The price at which securities are offered.

BANKER'S ACCEPTANCE ("BA"). A draft, bill, or exchange accepted by a bank or a trust company. Both the issuer and the accepting institution guarantee payment of the bill.

BASIS POINT. Common unit of measure used for expressing changes in interest rates; one basis point equates to 1/100th of 1%. (i.e. 0.1% equals 10 basis points.)

BID. The price offered by a buyer of securities (when one sells securities, one asks for a bid). See "Offer".

BOND. Bonds are commonly referred to as fixed-income securities and are one of the three main generic asset classes, along with stocks (equities) and cash equivalents. Many corporate and government bonds are publicly traded on exchanges, while others are traded only over-the-counter (OTC).

BROKER. A broker is an individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor. It is also the role of a firm when it acts as an agent for a customer and charges the customer a commission for its services.

BULLET BOND. Bullet Bonds are non-callable bonds, which cannot be redeemed early by the issuer.

CALLABLE BOND. A bond that can be redeemed by the issuer earlier than the bond's maturity date. Callable bonds with specific details as to when the bond may be called back are noted. Embedded options attached to callable bonds detail how the issuer may "call" back the security. Three forms of embedded options for callable bonds are:

- *American Option*: Bond may be called back by the issuer at any time after the lockout period expires. (continuously callable)
- *Bermudian Option*: The issuer has the right to call the bond on the predetermined interest payment dates only.
- *European Option*: Allows the holder to exercise the option (i.e. to buy) only on the option expiration date.
- *1X:* One time callable only
- *6M:* Callable only after predetermined 6 month lockout period.

CERTIFICATE OF DEPOSIT ("CD"). A time deposit with a specific maturity, as evidenced by a certificate. Large-

denomination CDs are typically negotiable. A certificate of deposit (CD) is a savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC. The term of a CD generally ranges from one month to five years.

COLLATERAL. Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT ("CAFR"). The official annual report for the City of Torrance. It includes combined statements for each individual fund and account group, which are prepared in conformity with GAAP. It also includes supporting schedules that are necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical section.

CORPORATE BOND/NOTES. A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations.

COUPON. The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. It can also be a certificate attached to a bond, which evidences interest due on a payment date. The annual interest rate paid on a bond, expressed as a percentage of the face value.

DEALER. A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT. There are two methods of delivery of securities: (1) delivery versus payment (DVP); and (2) delivery versus receipt (DVR). DVP is delivery of securities with an exchange of money for the securities. DVR is delivery of securities with an exchanged of a signed receipt for the securities.

DERIVATIVES. (1) Financial instruments that are linked to, or derived from, the movement of one or more underlying indexes or securities, and may include a leveraging factor; or (2) financial contracts based upon a notional amount whose value is derived from an underlying index or security (e.g., interest rates, foreign exchange rates, equities, or commodities).

DISCOUNT. The difference between the acquisition cost of a security and its value at maturity, when quoted at lower than face value. A security that sells below original offering price shortly after sale is also considered to be at a discount. In finance, discount refers to the condition of the price of a bond that is lower than par, or face value. The discount equals the difference between the price paid for a security and the security's par value.

DISCOUNT SECURITIES. Non-interest bearing money market instruments that are issued a discount and that are redeemed at maturity for full face value (e.g., U.S. Treasury Bills).

DIVERSIFICATION. Dividing investment funds among a variety of securities that offer independent returns.

FEDERAL AGENCIES. Special government organizations set up for a specific purpose such as the management of resources, financial oversight of industries or national security issues. These organizations are typically created by legislative action, but may initially be set up by a Presidential Order as well. The directors of these agencies are typically selected by Presidential appointment. A number of these organizations issue securities such as stocks and bonds that have been historically popular with investors. Agencies of the Federal Government that were established to supply credit to various classes of institutions and individuals (e.g., S&Ls, small business firms,

students, farmers, farm cooperative, and exporters).

FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"). A federal agency that insures bank deposits, currently up to $ 250,000.00 per deposit.

FEDERAL FARM CREDIT BANK ("FFCB"). In the United States, a network of federally-chartered financial institutions designed to provide credit-related services to the agricultural and farming sectors of the economy. In total, this government-sponsored enterprise comprises approximately 100 financial institutions that serve all 50 states and Puerto Rico

FEDERAL FUNDS RATE. The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS ("FHLB"). Government-sponsored wholesale banks (currently 12 regional banks) which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions, and insurance companies. The mission of the FHLBs is to liquefy the housing-related assets of its member, who must purchase stock in their District Bank. FHLB - An organization created by the Federal Home Loan Bank Act of 1932 to increase the amount of funds available for lending institutions who provide mortgages and similar loan agreements to individuals. This system was created in response to the depressive economic conditions of the era, which had impaired the U.S. banking system.

FEDERAL HOME LOAN MORTGAGE CORP ("Freddie Mac or FHLMC"). FHLMC is a stockholder-owned, government-sponsored enterprise (GSE) chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle income Americans. The FHLMC purchases, guarantees and securitizes mortgages to form mortgage-backed securities. The mortgage-backed securities that it issues tend to be very liquid and carry a credit rating close to that of U.S. Treasuries.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (`FNMA"). FNMA, like GNMA, was charted under the Federal National Mortgage Association Act of 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assures and guarantees that all security holders will receive timely payment of principal and interest. Fannie Mae is a publicly-traded company which operates under a congressional charter that directs Fannie Mae to channel its efforts into increasing the availability and affordability of homeownership for low-, moderate- and middle-income Americans.

FEDERAL OPEN MARKET COMMITTEE ("FOMC"). The FOMC consist of seven members of the Federal Reserve Board and five of the 12 Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM. Also known as "The Fed." The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks, and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATIONS ("GNMA" or "Ginnie Mae"). Securities that influence the volume of bank credit that is guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan

associations, and other institutions. The full faith and credit of the U.S. Government protect a security holder. Ginnie Mae securities are backed by the FHA, VA, or FMHM mortgages. The term "pass-through" is often used to describe Ginnie Maes.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD ("GASB"). An organization whose main purpose is to improve and create accounting reporting standards or generally accepted accounting principles (GAAP). These standards make it easier for users to understand and use the financial records of both state and local governments. The Government Accounting Standards Board (GASB) is funded and monitored by the Financial Accounting Foundation (FAF).

IMPLIED RATING ("IMP"). Government Sponsored Enterprises ex: Federal Home Loan Bank, Federal Home Loan Mortgage Corp, Federal National Mortgage Association each carrier the rate of the US Treasury. There are GSE that are not officially rated by a credit rating agency but carry an implied rating because they are GSE. An example of this is Farmer Mac.

LIQUIDITY. A Liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow, and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND ("LAIF"). Monies from local governmental units may be remitted to the California State Treasurer for deposit in this special fund for the purpose of investment.

LOCKOUT (BOND FEATURE). The period of time when a security may not be redeemed by the issuer.

MARKET VALUE. The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT. A written contract covering all future transactions between the parties to repurchase-reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer (lender) to liquidate the underlying securities in the event of default by the seller (borrower).

MATURITY. The date upon which the principal or stated value of an investment becomes due and payable.
Medium Term Notes - A corporate note continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years.

MODIFIED DURATION. A formula that attempts to explain a change in the price of a bond as a function of a change in coupon rates. It is based on the assumption that rises in interest rates depress bond prices and drops in rates do the opposite.

MONEY MARKET. The market in which sort-term debt instruments (e.g., bills, commercial paper, and banker's acceptances) are issued and traded.

NOT RATED ("NR"). GSE or any security that are not officially rated by a credit rating agency.

OFFER. The price asked by a seller of securities (when one buys securities, one asks for an offer). See '`Asked" and "Bid."

OPEN MARKET OPERATIONS. Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank, as directed by the FOMC in order to influence the volume of money and credit in the economy.

Glossary

Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO. A collection of securities that an investor holds.

PREMIUM - A premium is the total cost of an option. The difference between the higher price paid for a fixed-income security and the security's face amount at issue.

PRIMARY DEALER. A group of government securities dealers that submit daily reports of market activity and positions, and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) — registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT INVESTOR RULE. An investment standard. A fiduciary, such as a trustee, may invest in a security if it is one that would be bought by a prudent investor acting in like capacity, who is seeking reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES. A financial institution that: (1) does not claim exemption from the payment of any sales, compensating use, or ad valorem taxes under the laws of this State; (2) has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability; and (3) has been approved by the Public Deposit Protections Commission to hold public deposits.

RATE OF RETURN. The yield obtainable on a security based on its purchase price or it current market price.

REPURCHASE AGREEMENT ("RP" OR "REPO"). A holder of securities sells them to an investor with an agreement to repurchase the securities at a fixed price on a fixed date. The security "buyer" in effect, lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use **RP** extensively to finance their positions. Exception: when the Fed is said to be doing RP, it is lending money (increasing bank reserves).

SAFEKEEPING. A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET. A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION. An agency created by Congress to administer securities legislation for the purpose of protecting investors in securities transactions.

SEC RULE 15c3-1. See "Uniform Net Capital Rule." SEC Rule 15c3-1 requires broker-dealers to maintain the following minimum net capital requirements in order to offer sufficient protection for the firm's customers:

- $250,000 for broker-dealers who conduct general securities business and carry customer funds and securities
- $50,000 for broker-dealers who introduce accounts to another broker-dealer on a fully disclosed basis, receive but do not hold customer securities for delivery to the clearing broker-dealer and do not carry customer accounts
- $25,000 for broker-dealers that only handle mutual fund transactions and do not hold customer funds or securities

Glossary

- $5,000 for broker-dealers who do not directly or indirectly receive securities from customers (known as introducing brokers)

STEP-UP BOND. A bond that pays an initial coupon rate for the first period, and then a higher coupon rate for the following periods. A step-up bond is one in which subsequent future coupon payments are received at a higher, predetermined amount than previous or current periods. These bonds usually have a callable component.

STRUCTURED NOTES. Notes issued by instrumentalities (e.g., FHLB, FNMA, SLMA) and by corporations, that have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) in their debt structure, The market performance of structured notes is affected by fluctuating interest rates; the volatility of imbedded options; and shifts in the yield curve.

TREASURY BILLS. A non-interest-bearing discount security that is issued by the U.S. Treasury to finance the national debt. Most T-bills are issued to mature in three months, six months, or one year.

TREASURY BONDS. Long-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of more than 10 years.

TREASURY NOTES. Medium-term, coupon-bearing U.S. Treasury securities that are issued as direct obligations of the U.S. Government, and having initial maturities of two to 10 years. U S Notes - A treasury note is a marketable U.S. government debt security with a fixed interest rate and a maturity between one and 10 years. Treasury notes can be bought either directly from the U.S. government or through a bank.

UNIFORM NET CAPITAL RULE. SEC requirement that member firms, as well as non-member broker-dealers in securities, maintain a maximum ratio of indebtedness to liquid capital of 15 to one. Also called net capital rule and net capital ratio. Indebtedness covers all money that is owed to a firm, including margin loans and commitments to purchase securities (one reason that new public issues are spread among members of underwriting syndicates). Liquid capital includes cash and assets easily converted to cash.

YIELD. The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD OR YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

YIELD TO MATURITY (YTM). The percentage rate of return paid on a bond or note if the investor buys and holds it to its maturity date. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the bond will be reinvested at the same rate.

Sources:

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